



Reliable today, resilient tomorrow

2024 **Annual Report**



Our mission

To distribute electricity in a safe and reliable manner, while keeping rates affordable and providing long-term value to the community. The company does this by participating in Kingston's unique multi-utility model.

Our vision

A modern, responsive energy company, building a strong future for communities and customers through stewardship, partnership, innovation, and service excellence.



Land acknowledgement

We have prepared this annual report in the ancestral and continuing unceded territory of the Huron-Wendat, Anishinaabe, and Haudenosaunee Peoples. We thank these Peoples for their stewardship of the land. As we preserve and protect the land and water, we commit to delivering our services with care for the Earth.

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The majority of photography in this report is by Paul Wash. Thank you for helping us share our story.



Corporate governance

About Kingston Hydro

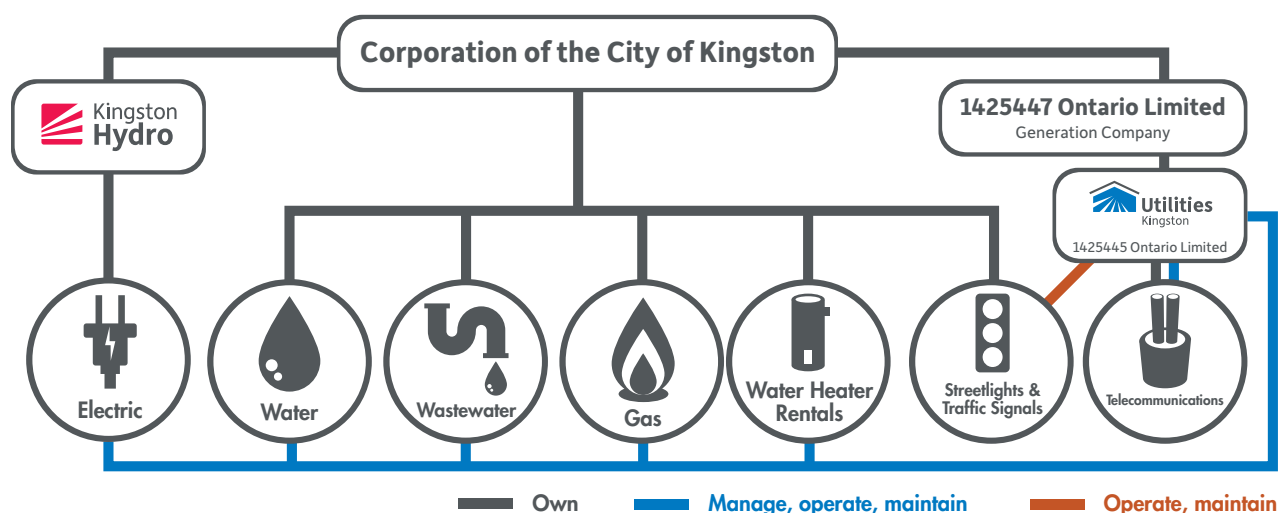
Kingston Hydro Corporation is 100 per cent owned by the Corporation of the City of Kingston and is licensed by the Ontario Energy Board to provide electricity distribution services in central Kingston.

Incorporated under the Business Corporations Act (Ontario), Kingston Hydro is governed by a Shareholders' Declaration approved by the City of Kingston. The Corporation's governance framework ensures oversight, accountability, and alignment with the public interest.

Our relationship with Utilities Kingston

Kingston Hydro continues to benefit from Kingston's unique multi-utility service delivery model, with operations managed through a formal service agreement with Utilities Kingston. Under this agreement, Utilities Kingston employees manage, maintain, and operate Kingston Hydro's electricity distribution assets and provide billing and asset management services on its behalf.

This integrated model enhances operational efficiency, reduces costs, and supports a strong customer experience, all while helping Kingston Hydro meet its regulatory obligations as a licensed electricity distributor. Strategic planning, guided by the Board of Directors, ensures that both short- and long-term goals align with this service approach and the broader needs of the community.



Leadership and oversight

The Board of Directors oversees the strategic direction, financial stewardship, regulatory compliance, and risk management of Kingston Hydro. Its role is to ensure the Corporation operates in the best interests of the Shareholder and the customers it serves, while supporting operational excellence and long-term sustainability.

The Board is made up of three independent directors and three directors appointed by position. Independent directors are appointed by the Shareholder and represented by elected municipal councillors, providing a balance of public accountability and independent oversight.

Directors



Bryan Paterson
Chair,
Mayor, City of Kingston



Lanie Hurdle
Chief Administrative
Officer, City of
Kingston



David Fell
President and Chief
Executive Officer



Anthony Martinello
Independent
Director

Officers



Todd Williams
Independent Director



Ron Chatterton
Independent Director



David Fell
President and Chief
Executive Officer



Randy Murphy
Chief Financial
Officer and Treasurer,
Corporate Secretary

Governing Committees

The Board of Directors has established two committees to support its work, both composed of the three independent directors.

Governance and Nominations Committee

Oversees executive succession and develops corporate governance approach.

Audit and Risk Management Committee

Ensures financial integrity and effective risk management.

Commitment to strong governance

Strong governance starts with participation. Directors consistently demonstrated leadership and accountability through high attendance and active engagement at Board and Committee meetings.

Board member	Board meetings	Governance and Nominations Committee	Audit and Risk Management Committee meetings
Bryan Paterson, Chair	9/9	N/A	N/A
Lanie Hurdle	7/9	N/A	N/A
David Fell	9/9	N/A	N/A
Todd Williams	9/9	3/3	5/5
Anthony Martinello	9/9	3/3	5/5
Barbara Hanley	6/6	2/2	1/1
Ron Chatterton	3/3	1/1	4/4

Notes:

- Barbara Hanley resigned from the Board effective May 27, 2024
- Ron Chatterton was elected to the Board effective May 27, 2024
- Todd Williams is the Chair of the Audit and Risk Management Committee
- Anthony Martinello is the Chair of the Governance and Nominations Committee

Modernizing for growth and reliability

We're investing in Kingston's electrical infrastructure to support a growing, resilient community. By upgrading our systems and committing to ongoing maintenance and modernization, we're increasing capacity, improving reliability, and preparing for future energy needs.



Upgraded **50** transformers to enhance grid reliability



Replaced **15** backyard poles in the area of Inverness & Stormont to improve reliability



Replaced an additional **49** overhead poles in several areas including Phillips St, Dufferin St, Albert & Collingwood & King St West



Removed **2** underground vault oil switches and replaced with new equipment



Achieved cost savings by completing trenching and ductwork in-house



Powering growth

The upgrade of Rigney Street to a **13.8 kV** system marked a significant milestone in strengthening Kingston's power grid.

This project not only improved efficiency and reliability, but also prepared the system for future renewable energy integration and allowed us to increase capacity in the Princess Street area.

Upgrading to a higher voltage reduces energy loss, increases system capacity and supports a more reliable grid - helping us meet the needs of a growing community while laying the groundwork for a cleaner energy future.



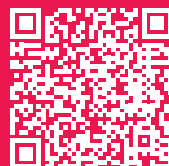
Scoring high on reliability

Kingston Hydro, proudly operated by Utilities Kingston, consistently delivers safe, reliable electricity to our community.

The Ontario Energy Board's utility scorecards provide a transparent measure of our performance, with 2023 results showcasing our commitment to exceptional service, reliability, and safety.

Key achievements:

- ✓ 99.85% billing accuracy
- ✓ 100% on-time service connections
- ✓ Strong reliability performance
- ✓ Zero serious electrical incidents



Scan to learn more
about our **utility
scorecard**

 100%

compliance with Electrical
Safety Authority audit

Modernizing for growth and reliability



Planning for the future

Ahead of the City's next downtown revitalization, we relocated aging underground systems to support smoother roadwork and traffic flow. Installing a new maintenance hole eliminated infrastructure from the middle of Princess Street and created space for additional equipment to support future developments.

Ensuring system reliability

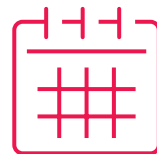
We closely track performance to ensure a reliable power supply for our customers. Here's how we measured up in 2024:

Average Number of Hours that Power to a Customer was Interrupted



0.64 hours per customer
Better than the distributor target of **1.19 hours**

Average Number of Times that Power to a Customer was Interrupted:



0.44 times per customer
Better than the distributor target of **1.01 times**

76 scheduled outages **8,689** customer hours of interruption

Rapid response to unplanned outages

From curious critters to wayward vehicles, foreign interference was the top cause of unplanned outages in 2024 - leading to **5 outages** and **7,250** customer-hours without power.

While we can't always prevent these incidents, we focus on rapid response and building system resilience to minimize their impact.

 **431** after hours calls



Financial performance

Financial management discussion

Included in this annual report are the corporation's financial statements for the year ended December 31, 2024, which have been prepared in accordance with International Financial Reporting Standards.

Balance sheet

At December 31, 2024, Kingston Hydro has cash available, as represented by Cash and Due from City of Kingston, \$6.0 million to fund current liabilities.

Kingston Hydro's gross capital assets increased \$4.4 million (2023 - \$3.8 million) to \$92.3 million.

The net book value of the capital assets amounted to \$67.9 million, compared to \$66.1 million in 2023.

Kingston Hydro increased its third-party arm's length debt in 2024 by a net amount of \$136,000. New debt of \$1,200,000 was obtained offset by principal repayments on existing debt.

As a result of the above, total debt remained at approximately \$37 million from 2023 to 2024.

The net balance of the regulatory deferral account balances at the end of the year is a debit of \$3.7 million. This amount is the accumulated difference between costs incurred for energy and transmission, and amounts collected from customers. This difference is expected to be collected from customers in the future, after Ontario Energy Board (OEB) rate approval.

Statement of earnings

In 2024, total energy sales were \$84 million, slightly less than the cost of energy of \$85 million. Any excess cost of energy in the year forms part of the regulatory balances recorded on the balance sheet that is referred to above and ultimately collected from customers in future years.

Distribution revenue increased by \$600,000 as a result of a 4.65% distribution rate increase approved by the OEB and implemented effective January 1, 2024. Energy consumption decreased by 0.4 per cent following a 3.5% increase in 2023.

Operating expenses increased \$500,000 from 2024 after a \$500,000 increase in 2023. The increase is due to an increase in conservation program expenses and a provision for future employee benefit expenses. Finance costs for 2024 approximated 2023 while Finance income was lower than 2023 due to decreases in the prime lending rate by the Bank of Canada.

Net earnings and net movements in regulatory deferral account balances decreased by \$300,000 in 2024 to \$2.3 million for the year.

Statement of cash flows

In 2024, Kingston Hydro recorded additions to capital assets of \$4.4 million and an increase in deferred revenue in the amount of \$150,000.

The company returned dividend payments of \$325,000 to its sole Shareholder, the Corporation of the City of Kingston. When combined with interest payments to the City, the total return to the Shareholder in 2024 was approximately \$964,000.

Management's responsibility for financial reporting

The accompanying financial statements and related financial information are the responsibility of the management of Kingston Hydro Corporation.

Fulfilling this responsibility requires the preparation and presentation of financial statements and other data using management's best judgement and estimates.

These financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and set out in the CPA Canada Handbook.

In addition, management is responsible for establishing and maintaining an adequate system of internal control to ensure assets are safeguarded and the accounting systems provide relevant, accurate, timely and reliable information in all material respects.

The Board of Directors of Kingston Hydro Corporation is responsible for ensuring management has implemented the necessary systems, procedures and internal controls required to ensure the reliability and timeliness of the financial information. The Board is also responsible for reviewing the financial statements with management and approving the financial statements.

The Board of Directors exercises this responsibility through the Audit and Risk Committee. The Audit and Risk Committee consists primarily of independent directors and reviews audit, internal control and financial reporting matters with management and external auditors. The Audit and Risk Committee also considers the independence of the external auditor and reviews their fees. The external auditors have access to the Audit and Risk Committee without the presence of management. The Audit and Risk Committee reviews the financial statements and reports its findings to the Board for consideration when approving the financial statements for issuance to the Shareholders.

KPMG LLP, the independent auditors appointed by the Board of Directors, are responsible for providing an audit opinion on the financial statements based on the results of their audit tests and procedures.

On behalf of Management,



David Fell

President and Chief Executive Officer



Randy Murphy

Chief Financial Officer and Treasurer, Corporate Secretary

Financial Statements of

**KINGSTON HYDRO
CORPORATION**

And Independent Auditor's Report thereon

Year ended December 31, 2024



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Kingston Hydro Corporation

Opinion

We have audited the financial statements of Kingston Hydro Corporation (the Corporation), which comprise:

- the balance sheet as at December 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in shareholder's equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

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

Basis for Opinion

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

We are independent of the Corporation 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.



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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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- 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation 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.

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

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 29, 2025

KINGSTON HYDRO CORPORATION

Financial Statements

Year ended December 31, 2024

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KINGSTON HYDRO CORPORATION

Balance Sheet


December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 3,139	\$ 48,054
Due from City of Kingston (note 10(b))	6,047,176	6,288,905
Miscellaneous accounts receivable	758,706	759,219
Billed revenue receivable	5,050,004	4,975,844
Unbilled revenue	10,408,415	9,413,191
Inventory	1,847,326	2,099,338
Prepaid expenses	233,163	84,059
Payments in lieu of taxes recoverable (note 15)	—	1,554
	24,347,929	23,670,164
Non-current assets:		
Property, plant and equipment (note 5)	67,854,756	66,093,780
Derivative asset	—	79,035
Total assets	92,202,685	89,842,979
Regulatory debit balances (note 9)	6,322,154	6,511,528
Total assets and regulatory debit balances	\$ 98,524,839	\$ 96,354,507

	2024	2023
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,812,331	\$ 9,302,112
Current portion of long-term debt (note 7(a))	4,777,930	3,679,214
Due to retailers	64,704	71,983
Deposits payable	787,587	740,907
Payments in lieu of corporate income taxes payable	178,151	—
	14,620,703	13,794,216
Non-current liabilities:		
Note payable to City of Kingston (note 6)	10,880,619	10,880,619
Employee future benefit liabilities (note 11(d))	1,154,417	892,142
Long-term debt (note 7(a))	21,350,647	22,312,939
Deferred revenue	5,959,803	5,809,495
Deferred tax liability (note 15)	3,206,010	2,921,392
Total liabilities	57,172,199	56,610,803
Shareholder's equity:		
Share capital (note 12)	12,380,617	12,380,617
Contributed surplus	3,893,103	3,893,103
Accumulated other comprehensive income (loss)	4,485	255,380
Retained earnings	22,433,749	20,435,586
	38,711,954	36,964,686
Commitments and contingencies (notes 13 and 14)		
Total liabilities and shareholder's equity	95,884,153	93,575,489
Regulatory credit balances (note 9)	1,373,699	1,627,547
Deferred tax associated with regulatory balances	1,266,987	1,151,471
Total equity, liabilities and regulatory credit balances	\$ 98,524,839	\$ 96,354,507

See accompanying notes to financial statements.

On behalf of the Board:


 David Fell,
 Director


 Todd Williams,
 Chair, Audit and Risk Committee

KINGSTON HYDRO CORPORATION

Statement of Comprehensive Income

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

	2024	2023
Energy sales	\$ 83,794,599	\$ 78,202,401
Cost of energy	84,641,011	78,149,833
	(846,412)	52,568
Other income	761,958	734,694
IESO Conservation Program revenue	—	7,097
Distribution revenue (notes 3(b) and 4)	14,922,595	14,274,136
Net operating revenue	14,838,141	15,068,495
Operating expenses:		
IESO Conservation Program expenses	109,011	7,097
Distribution expenses, operation	1,399,248	1,206,737
Distribution expenses, maintenance	1,826,309	1,932,504
Billing and collecting	1,111,856	1,134,808
Community relations	724,050	656,531
General and administrative	3,721,004	3,493,967
Depreciation and amortization	2,668,535	2,622,971
	11,560,013	11,054,615
Earnings before finance costs, taxation and net movement in regulatory account balances	3,278,128	4,013,880
Finance income	294,974	509,572
Finance costs	(1,555,391)	(1,587,808)
Earnings before taxation and movements in regulatory deferral account balances	2,017,711	2,935,644
Current tax expense (note 15)	555,791	233,173
Deferred tax expense (note 15)	305,562	382,464
	861,353	615,637
Net earnings before movements in regulatory deferral account balances	1,156,358	2,320,007
Movement due to differences between sales and cost	846,412	(52,567)
Tax effect of net movement in regulatory deferral account balances	(320,393)	(373,714)
Net movement in regulatory deferral account balances related to profit or loss	1,166,805	321,147
Net earnings and net movements in regulatory deferral account balances	2,323,163	2,641,154
Other comprehensive loss:		
Change in fair value of cash flow hedge	(58,090)	(56,907)
Actuarial gain (loss) on employee future benefits	(192,805)	—
Total comprehensive income	\$ 2,072,268	\$ 2,584,247

See accompanying notes to financial statements.

KINGSTON HYDRO CORPORATION

Statement of Changes in Shareholder's Equity

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

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, January 1, 2023	\$ 12,380,617	\$ 3,893,103	\$ 312,287	\$ 19,494,432	\$ 36,080,439
Net earnings	—	—	—	2,641,154	2,641,154
Other comprehensive loss	—	—	(56,907)	—	(56,907)
Dividends	—	—	—	(1,700,000)	(1,700,000)
Balance, December 31, 2023	12,380,617	3,893,103	255,380	20,435,586	36,964,686
Net earnings	—	—	—	2,323,163	2,323,163
Other comprehensive loss	—	—	(250,895)	—	(250,895)
Dividends	—	—	—	(325,000)	(325,000)
Balance, December 31, 2024	\$ 12,380,617	\$ 3,893,103	\$ 4,485	\$ 22,433,749	\$ 38,711,954

See accompanying notes to financial statements.

KINGSTON HYDRO CORPORATION

Statement of Cash Flows

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

	2024	2023
Cash provided by (used in):		
Operations:		
Net earnings	\$ 2,323,163	\$ 2,641,154
Items not involving cash:		
Depreciation and amortization	2,668,535	2,622,971
Tax expenses	861,353	615,637
Tax expenses included in net movement		
in regulatory deferral account balances	115,516	134,740
Change in employee future benefit liabilities	69,470	(33,021)
Income taxes paid	(376,085)	(109,957)
Change in non-cash operating balances (note 16)	(1,239,088)	471,057
	4,422,864	6,342,581
Financing:		
Increase in deferred revenue	150,308	202,249
Dividends paid	(325,000)	(1,700,000)
Repayment of long-term debt payable	(1,063,576)	(3,974,562)
Proceeds of long-term debt	1,200,000	2,925,432
	(38,268)	(2,546,881)
Investments:		
Net purchase of property, plant and equipment	(4,429,511)	(3,754,763)
Increase (decrease) in cash	(44,915)	40,937
Cash, beginning of year	48,054	7,117
Cash, end of year	\$ 3,139	\$ 48,054

See accompanying notes to financial statements.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements

Year ended December 31, 2024

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KINGSTON HYDRO CORPORATION

Notes to Financial Statements

Year ended December 31, 2024

1. Reporting entity:

Kingston Hydro Corporation (the "Corporation") is a rate-regulated, municipally-owned hydro distribution company incorporated under the laws of Ontario Canada. The Corporation is located in Kingston. The address of the Corporation's registered office is 85 Lappans Lane, Kingston, Ontario. The Corporation delivers electricity and related energy services to residential and commercial customers in Kingston. The Corporation is wholly-owned by the Corporation of the City of Kingston.

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

2. Basis of preparation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The financial statements were approved by the Board of Directors on April 29, 2025.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

- (i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value; and
- (ii) Contributed assets are initially measured at fair value.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of preparation (continued):

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

Information about critical accounting judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Note 3(j) - leases: whether an arrangement contains a lease
- (ii) Note 3(j) - leases: discount rate, lease term, underlying leased asset value
- (iii) Note 5 - Property, plant and equipment;
- (iv) Note 11 - Employee future benefits;
- (v) Note 14 - Contingent liabilities.

(e) Rate regulation:

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

Rate setting:

Distribution revenue:

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

In the intervening years, an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of preparation (continued):

(e) Rate regulation (continued):

Rate setting (continued):

Distribution revenue (continued):

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation filed a COS application in 2022 for new distribution rates effective January 1, 2023. The OEB issued its Decision and Rate Order on December 13, 2022.

The GDP IPIFDD for rates effective January 1, 2024 was 4.8%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.15%, The OEB issued its Decision and Rate Order on December 14, 2023 approving a net increase of 4.65% for 2024 rates.

The GDP IPIFDD for rates effective January 1, 2025 is 3.6%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.15%, The OEB issued its Decision and Rate Order on December 12, 2024 approving a net increase of 3.45% for 2025 rates.

Electricity rates:

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

3. Significant accounting policies:

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

(a) Financial instruments:

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

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

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

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

Hedging items and hedged items are presented in the financial statements in the same manner as other assets and liabilities. For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated other comprehensive income. Any gains or losses that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations.

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

(b) Revenue recognition:

Sale and distribution of electricity

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

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

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Capital contributions

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

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

Other revenue

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

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

(c) Inventory:

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

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant accounting policies (continued):

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation. Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously determined under Canadian GAAP as the deemed cost at January 1, 2014, the transition date to IFRS.

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

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

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

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

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

Depreciation is calculated over the depreciable amount and is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not amortized until the project is complete and in service.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant accounting policies (continued):

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

Depreciation is provided on a straight-line basis using the following annual rates:

Asset	Rates
Buildings and fixtures	1.67% to 3.33%
Substation equipment	1.67% to 5.00%
Distribution system	1.67% to 2.86%
Meters	2.50% to 6.67%
Tools and equipment	10.00% to 20.00%
System supervisory equipment	5.00%
Vehicle	8.33% to 12.50%
Application software	20.00%
Miscellaneous intangible plant	2.50%
Leasehold improvements	Over the term of the lease

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

(e) Impairment:

(i) Financial assets:

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

(ii) Non-financial assets:

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). 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.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant accounting policies (continued):

(e) Impairment (continued):

(ii) Non-financial assets (continued):

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 profit or loss.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Provisions:

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

(g) Regulatory deferral accounts:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant accounting policies (continued):

(g) Regulatory deferral accounts (continued):

The probability of recovery or repayment of the regulatory account balances are assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates in 2024, the rates were 5.49% from January 1, 2024, to June 30, 2024, decreasing to 5.20% from July 1, 2024, to September 30, 2024, decreasing to 4.40% from October 1, 2024, to December 31, 2024. (2023 - 4.73% from January 1, 2023, to March 31, 2023, 4.98% from April 1, 2023, to September 30, 2023, 5.49% from October 1, 2023, to December 31, 2023).

(h) Employee future benefit liabilities:

The Corporation's employee future benefit liabilities represent its accumulated obligation to Utilities Kingston under a service agreement.

The Corporation accrues its obligations to Utilities Kingston for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of Utilities Kingston's employees and expected health care costs.

Utilities Kingston's employees participate in the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer public sector pension fund, as a defined benefit plan.

(i) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant accounting policies (continued):

(j) Leased assets:

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

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

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

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

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

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant accounting policies (continued):

(k) Finance income and finance costs:

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

Finance charges comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets. Finance costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

(l) Income taxes:

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

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

Current tax is the tax 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 tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their 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 tax 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 tax 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.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Electricity industry regulation:

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA") conferred on the Ontario Energy Board ("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 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 electricity distributors which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from IFRS for enterprises operating in a non-rate regulated environment.

On December 14, 2023, the OEB approved the tariff of rates and charges, effective January 1, 2024, for electricity consumed or estimated to be consumed on or after January 1, 2024. In addition, the OEB ordered the Corporation to establish certain deferral and variance accounts to track revenues and expenses for years 2024 and onward that may become subject to disposition in the future.

5. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance, January 1, 2024	\$ 2,257,251	\$ 83,227,835	\$ 2,150,658	\$ 194,867	\$ 87,830,611
Additions	25,749	4,100,127	264,671	38,964	4,429,511
Disposals/retirements	—	—	—	—	—
Balance, December 31, 2024	\$ 2,283,000	\$ 87,327,962	\$ 2,415,329	\$ 233,831	\$ 92,260,122

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance, January 1, 2023	\$ 2,170,092	\$ 80,017,894	\$ 1,827,649	\$ 60,213	\$ 84,075,848
Additions	87,159	3,209,941	323,009	134,654	3,754,763
Disposals/retirements	—	—	—	—	—
Balance, December 31, 2023	\$ 2,257,251	\$ 83,227,835	\$ 2,150,658	\$ 194,867	\$ 87,830,611

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Property, plant and equipment (continued):

(b) Accumulated depreciation:

		Land and buildings	Distribution equipment	Other fixed assets	Total
Balance, January 1, 2024	\$	294,802	\$ 19,981,689	\$ 1,460,340	\$ 21,736,831
Depreciation charge		54,477	2,354,923	259,135	2,668,535
Disposals/retirements		—	—	—	—
Balance, December 31, 2024	\$	349,279	\$ 22,336,612	\$ 1,719,475	\$ 24,405,366

		Land and buildings	Distribution equipment	Other fixed assets	Total
Balance, January 1, 2023	\$	241,533	\$ 17,674,321	\$ 1,198,006	\$ 19,113,860
Depreciation charge		53,269	2,307,368	262,334	2,622,971
Disposals/retirements		—	—	—	—
Balance, December 31, 2023	\$	294,802	\$ 19,981,689	\$ 1,460,340	\$ 21,736,831

(c) Carrying amounts:

		Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
At December 31, 2024	\$	1,933,721	\$ 64,991,350	\$ 695,854	\$ 233,831	\$ 67,854,756
At December 31, 2023	\$	1,962,449	\$ 63,246,146	\$ 690,318	\$ 194,867	\$ 66,093,780

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

6. Note payable to City of Kingston:

In consideration for transfer of the City of Kingston's electricity distribution business, the City of Kingston took back a note payable on January 1, 2000, for an amount equivalent to 50% of the value of net assets transferred. The note payable amounts to \$10,880,619 (2023 - \$10,880,619). As part of the 2011 Kingston Hydro distribution rate rebasing application, the Ontario Energy Board ordered that Kingston Hydro use a deemed debt rate of 5.87% per annum. This rate became effective May 1, 2011. The note payable has no fixed terms of repayment and is unsecured. It is not the intent of the City of Kingston to demand repayment before January 1, 2026. Interest charges on the note payable for the 2024 fiscal year were \$638,692 (2023 - \$638,692).

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Bank loans and long-term debt:

(a) Long-term debt:

	2024	2023
Committed reduced term facility (single draw), fixed rate of 2.12%, due December 2030 (facility 3)	\$ 1,542,980	\$ 1,696,959
Committed reduced term facility (single draw), fixed rate of 2.02%, due December 2027 (facility 3)	2,337,306	2,404,981
Committed reduced term facility (single draw), fixed rate of 3.93%, due February 2026 (facility 6)	993,813	1,111,597
Committed reduced term facility (single draw), fixed rate of 3.92%, due December 2042 (Infrastructure Ontario)	2,558,026	2,654,341
Committed reduced term facility (single draw), fixed rate of 3.27%, due December 2029 (facility 3)	2,680,137	2,748,354
Committed reduced term facility (single draw), fixed rate of 3.15%, due, December 2028 (facility 3)	1,757,801	1,815,956
Interest rate swap loan, fixed rate of 3.01%, due December 4, 2024 (facility 3)	—	1,832,206
Capital loan, fixed rate of 3.92%, due November 15, 2025 (facility 3)	2,199,328	2,253,797
Capital loan, fixed rate of 3.15%, due December 18, 2024 (facility 3)	—	867,657
Capital loan, fixed rate of 3.21%, due December 8, 2030 (facility 3)	937,530	959,025
Capital loan, fixed rate of 3.23%, due December 9, 2030 (facility 3)	1,153,200	1,193,587
Committed reduced term facility (single draw), fixed rate of 5.24%, due December 2025 (facility 3)	1,553,564	1,577,388
Committed reduced term facility (single draw), fixed rate of 2.842%, due April 2032 (facility 3)	1,740,329	1,950,873
Committed reduced term facility (single draw), fixed rate of 5.397%, due December 2026 (facility 3)	1,710,479	1,750,000
Committed reduced term facility (single draw), fixed rate of 5.273%, due December 2028 (facility 3)	1,148,447	1,175,432
Committed reduced term facility (single draw), fixed rate of 4.310%, due December 11, 2029	1,200,000	—
Committed reduced term facility (single draw), fixed rate of 4.40%, due December 4, 2026	1,772,570	—
Capital loan, fixed rate of 4.484%, due December 18, 2028	843,067	—
Carry forward	26,128,577	25,992,153

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Bank loans and long-term debt (continued):

(a) Long-term debt (continued):

	2024	2023
Carried forward	\$ 26,128,577	\$ 25,992,153
Less:		
Interest rate swap loan, fixed rate of 3.01%, due December 4, 2024 (facility 3)	—	1,832,206
Capital loan, fixed rate of 3.15%, due December 18, 2024 (facility 3)	—	867,657
Committed reduced term facility (single draw), fixed rate of 5.24%, due December 8, 2025	1,553,564	—
Capital loan, fixed rate of 3.92%, due November 15, 2025	2,199,328	—
Current portion of long-term debt	1,025,038	979,351
	4,777,930	3,679,214
	\$ 21,350,647	\$ 22,312,939

Principal payments on long-term debt based on scheduled repayments are as follows:

2025	\$ 4,777,930
2026	3,372,452
2027	2,983,392
2028	3,344,208
2029 and thereafter	11,650,595
	\$ 26,128,577

- (b) To comply with requirements of the IESO, as a supplier of energy to the wholesale electricity market, the Corporation is required to post security determined in relation to the Corporation's credit rating. A letter of credit has been provided in the amount of \$5,301,839 as at December 31, 2024 (2023 - \$5,301,839).

Bank indebtedness is secured by a general security agreement representing a first charge on all the Corporation's assets.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Pension agreements:

On behalf of their employees who provide services to the Corporation, 1425445 Ontario Limited (operating as Utilities Kingston), a related corporation, makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan. The plan 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. Total contributions by that corporation to OMERS for 2024 were \$2,416,070 (2023 - \$2,242,700).

The OMERS plan has a deficit of \$2.9 billion as at December 31, 2024 (2023 - \$4.2 billion). If other entities cease to participate in the plan, the Corporation may have an obligation to fund their share of the shortfall.

9. Regulatory deferral account balance:

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	2023	Balances arising in the period	Recovery/ reversal	2024	Remaining recovery period (years)
Regulatory deferral account debit balances					
Group 1 deferred accounts	\$ 1,879,731	\$ 1,838,455	\$ (1,404,381)	\$ 2,313,805	—
Regulatory asset recovery account	198,544	(1,295,634)	1,404,381	307,291	—
Other regulatory accounts	90,244	56,810	—	147,054	—
Deferred income taxes	4,343,009	(789,005)	—	3,554,004	—
Total amount related to regulatory deferral account debit balances	\$ 6,511,528	\$ (189,374)	\$ —	\$ 6,322,154	

	2023	Balances arising in the period	Recovery/ reversal	2024	Remaining recovery period (years)
Regulatory deferral account credit balances					
Group 1 deferred accounts	\$ (1,627,547)	\$ 253,848	\$ —	\$ (1,373,699)	—

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Regulatory deferral account balance (continued):

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

Settlement of the Group 1 deferral and variance accounts is done on an annual basis. Kingston Hydro Corporation's 2025 Price Cap Incentive Rate-setting rate application (EB-2024-0037) included a request to the OEB for disposition of the Corporation's deferral and variance account Group 1 balances. As part of the decision and rate order issued by the OEB on December 12, 2024, the OEB approved the disposition of a debit balance of \$244,247 as of December 31, 2023, including interest projected to December 31, 2024 for Group 1 accounts on a final basis. This approval is reflected in balances above.

10. Related party transactions:

(a) 1425445 Ontario Limited (operating as Utilities Kingston):

During the year, the Corporation paid \$13,320,989 (2023 - \$12,186,406) to 1425445 Ontario Limited (operating as Utilities Kingston) for support services and capital works. Utilities Kingston is a shared-services business incorporated to provide support services to both the Corporation and to various infrastructure businesses of the City of Kingston. There was no balance owing at December 31, 2024 with respect to these transactions.

(b) City of Kingston:

During the year, the Corporation contracted for certain financial services from the City of Kingston. As at December 31, 2024, the Corporation had an amount due from the City of Kingston representing the cumulative net balance of cash receipts and disbursements processed by the City of Kingston on behalf of the Corporation, in the amount of \$6,047,176 (2023 - \$6,288,905). The City of Kingston pays the Corporation interest on the balance at a market rate.

11. Employee future benefit liabilities:

(a) Pension plan:

The former Hydro-Electric Commission of the Corporation of the City of Kingston entered into agreements in 1995 with a number of former employees on non-contributory defined benefit pension plans. An actuarial report of the accrued pension liability indicates that the present value of the accrued pension benefits as at December 31, 2024 is \$168,599 (2023 - \$147,577).

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Employee future benefit liabilities (continued):

(b) Extended health care, dental and life insurance benefits:

The Corporation has an obligation with respect to post employment extended health care, dental and life insurance benefits that are provided to employees of Utilities Kingston through the service agreement with Utilities Kingston. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken for Utilities Kingston. The most recent actuarial valuation of the future benefit liability for Utilities Kingston was completed as at December 31, 2024. The Corporation is responsible for approximately 25% of the post-employment benefit liability of Utilities Kingston.

These accrued benefit liabilities at December 31 include the following components:

	2024	2023
Accrued benefit liabilities, January 1	\$ 538,743	\$ 576,638
Service cost	267,517	71,229
Payments	(57,396)	(109,124)
Accrued benefit liabilities, December 31	\$ 748,864	\$ 538,743

These benefits will be paid to Utilities Kingston as future benefit obligations are paid by Utilities Kingston to its employees as part of the support services contract with the Corporation.

(c) Accumulated sick leave:

Utilities Kingston provides accumulated sick leave benefits to all its employees. Under the plan, the sick leave days accumulate from year to year but are non-vested. The Corporation is responsible for approximately 25% of the accrued benefit liability of Utilities Kingston. The amount of the Corporation's accrued benefit liability for accumulated sick leave that does not vest has been actuarially determined as at December 31, 2024 and is \$236,955 (2023 - \$205,822).

(d) Future benefit liabilities:

	2024	2023
Future benefit liabilities are comprised of:		
Pension plan	\$ 168,599	\$ 147,577
Health, dental and life insurance	748,863	538,743
Accumulated sick leave	236,955	205,822
	\$ 1,154,417	\$ 892,142

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Share capital:

	2024	2023
Authorized:		
Unlimited Class A common shares		
Issued and outstanding:		
120 Class A common shares	\$ 12,380,617	\$ 12,380,617

13. General liability insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability risks. 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 that are in excess of their reserves and supplemental insurance, for the years in which the Corporation, and the former Hydro-Electric Commission, has been a member. The Corporation has not been made aware of any additional assessments.

14. Contingent liabilities:

The nature of the Corporation's activities is such that there may be litigation pending at any time. With respect to claims at December 31, 2024 against the Corporation, management believes there are valid defenses and appropriate insurance coverage in place. In the event any claims specifically are successful, management believes that such claims are not expected to have a material effect on the financial position of the Corporation.

No provision has been made in these financial statements in respect of any of the above contingent liabilities as management has assessed the risk of loss to be remote.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Payments in lieu of corporate income taxes:

The provision for amounts in lieu of corporate income taxes ("PILs") differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rates. A reconciliation between the statutory and effective tax rates is provided as follows:

	2024	2023
Federal and Ontario statutory income tax rate	26.5%	26.5%
Earnings before provision for PILs	\$ 3,184,516	\$ 3,256,791
Provision for PILs at statutory rate	\$ 843,897	\$ 863,050
Change resulting from:		
Tax effect of regulatory assets and liabilities	(60,690)	(247,413)
Tax effect of other miscellaneous adjustments	78,146	—
Provision for PILs	\$ 861,353	\$ 615,637
Effective income tax rate	27.05%	18.90%

Tax effects of temporary difference that give rise to future tax assets are as follows:

	2024	2023
Shortfall of tax values over accounting values		
of fixed assets	\$ (3,511,931)	\$ (3,136,867)
Future benefit liabilities	305,920	236,418
Regulatory assets	(1,266,987)	(1,151,471)
Derivative asset	1	(20,944)
	\$ (4,472,997)	\$ (4,072,864)

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

16. Change in non-cash operating balances:

	2024	2023
Decrease in due from City of Kingston	\$ 241,729	\$ 1,297,310
Decrease (increase) in miscellaneous accounts receivable	514	(236,976)
Increase in billed revenue receivable	(74,160)	(1,330,555)
Decrease (increase) in unbilled revenue	(995,224)	369,884
Decrease in inventory	252,012	129,380
Decrease (increase) in prepaid expenses	(149,105)	170,791
Increase (decrease) in accounts payable and accrued liabilities	(489,781)	208,819
Decrease in due to retailers	(7,279)	(48)
Increase (decrease) in deposits payable	46,680	(98,243)
Change in regulatory deferral account debit balances	189,374	(179,554)
Change in regulatory deferral account credit balances	(253,848)	140,249
	\$ (1,239,088)	\$ 471,057

17. Financial instruments and risk management:

(a) Fair value disclosure:

Cash and cash equivalents are measured at fair value. The carrying values of receivables and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

(b) Financial risks:

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

(i) Credit risks:

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

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

17. Financial instruments and risk management (continued):

(b) Financial risks (continued):

(i) Credit risks (continued):

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net earnings. Subsequent recoveries of receivables previously provisioned are credited to net earnings. The balance of the allowance for impairment at December 31, 2024 is \$4,494,392 (2023 - \$4,340,661).

(ii) Derivative instruments:

At December 31, 2024, the Corporation has a series of interest rate swap contracts expire (2023 - \$1,832,206) that were used to convert floating rate debt to fixed rate debt. These swaps qualify as cash flow hedges. The Corporation's cash flow hedge exposure at December 31, 2024 equals about 0.0% (2023 - 7.0%) of total long-term debt.

The unrealized gain or loss on these contracts is included as a component of other comprehensive income (loss) for the period. As of December 31, 2024, an asset of \$Nil (2023 - an asset of \$79,035) is included on the balance sheet related to these contracts.

18. Capital risk management:

The Corporation's objectives when managing capital are to safeguard its assets while at the same time maintain investor and creditor confidence, and to sustain future development of the business.

The Corporation includes shareholder's equity and long-term debt including the note payable to the City of Kingston in the definition of capital. To maintain or adjust the capital structure, the Corporation may issue new shares, issue new debt with different characteristics, acquire or dispose of assets, or adjust the amount of cash and short-term investment balances held.

There were no changes in the Corporation's approach to capital management during the period. As part of its lending arrangements, the Corporation is subject to various financial covenants, including debt service coverage ratio and debt to capitalization ratio.

In addition, the note payable to the City of Kingston is subordinated to the Corporation's bank in favour of the bank loan.



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