



# Progress that matters

2025 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 values

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.

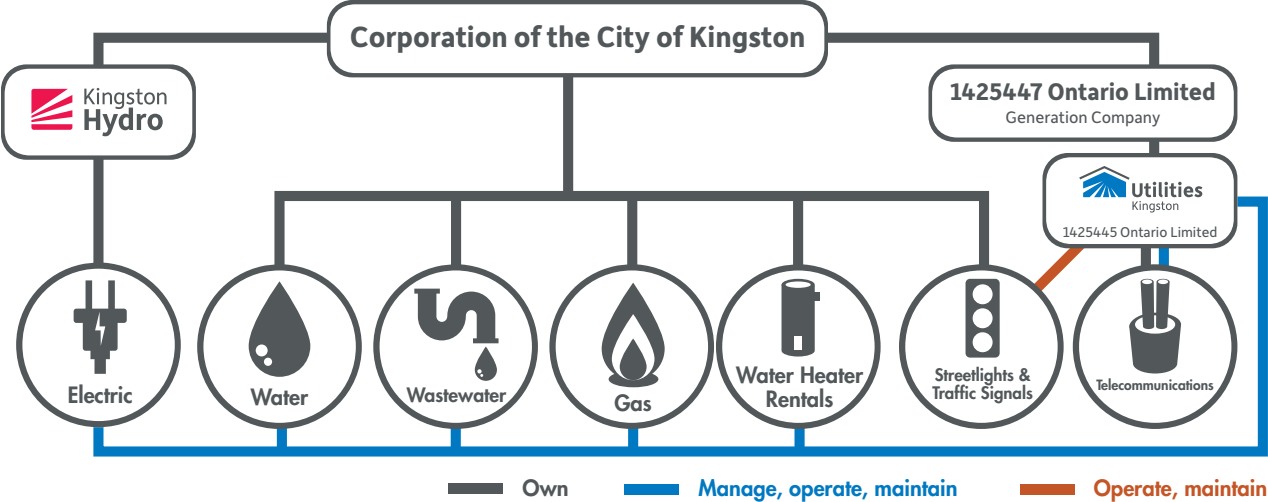
Incorporated under the Business Corporations Act (Ontario), Kingston Hydro is governed by a Shareholders' Declaration approved by the City of Kingston. The Corporation's governance framework ensures oversight, accountability, and alignment with the public interest.



# 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, 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



**Ron Chatterton**  
Independent Director



**Todd Williams**  
Independent Director

### Officers



**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 four 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.

<b>Board member</b>	<b>Board meetings</b>	<b>Governance and Nominations meetings</b>	<b>Audit and Risk Management Committee meetings</b>
<b>Bryan Paterson, Chair</b>	5/6	N/A	N/A
<b>Lanie Hurdle, Vice-Chair</b>	6/7	N/A	N/A
<b>David Fell</b>	7/7	N/A	N/A
<b>Todd Williams</b>	7/7	3/3	4/4
<b>Anthony Martinello</b>	7/7	3/3	4/4
<b>Ron Chatterton</b>	6/7	3/3	4/4

### Notes:

- Todd Williams served as Chair of the Audit and Risk Management Committee until June 2025, when Ron Chatterton assumed the role.
- Anthony Martinello served as Chair of the Governance and Nominations Committee.
- Mayor Paterson was not serving on the Board between March 23 and April 29. The March 24 meeting is excluded from his attendance.



## Investing in reliability and resilience

Reliable electricity depends on continuous investment in the systems that power our community. Across the system, we're renewing aging infrastructure, modernizing key assets, and preparing for future growth to ensure dependable service today and into the future.

### Delivering reliable service

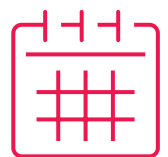
Reliable power starts with strong performance. Here's how we delivered in 2025:

Average Number of Hours that Power to a Customer was Interrupted



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

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



**1.29** times per customer  
Above the distributor target of **1.01**, reflecting the impact of freezing rain and ice in March 2025.

**40** scheduled outages **3,009** 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 2025 - leading to 6 outages and 12,888 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.



## Highlights from the field

### MS2 Transfer Station Upgrade

Aging switching equipment was replaced with modern technology at the MS2 transfer station. The station automatically switches between supply sources when needed, helping maintain service continuity and reduce the impact of outages.

### Transformer Vault 25 Equipment Upgrade

Upgrades to switching equipment and breaker panels improved reliability and enhanced safety while reducing the likelihood and duration of outages.

### Targeted infrastructure renewal

Upgrades along Johnson Street, Garrett Street, and the Queen/Colborne corridor included pole replacements, line reconfiguration, and a new three-phase connection. These improvements strengthen system resilience while supporting future development and growth.

## Reliability at its best

The Ontario Energy Board's utility scorecards provide a transparent measure of our performance, with 2024 results showcasing our commitment to exceptional service, reliability, and safety.

### Key achievements:

- ✓ 100% of new service connections and scheduled appointments completed on time
- ✓ 99.86% billing accuracy
- ✓ 97.6% of customer inquiries resolved on the first call



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



# 100%

compliance with Electrical Safety Authority audit



## Advancing smarter, safer metering

A next-generation metering program is underway as part of a broader **Advanced Metering Infrastructure (AMI 2.0)** initiative across Utilities Kingston's multi-utility services.

This work reflects a coordinated approach to modernizing how services are measured, monitored, and managed across electricity, water, and natural gas.

Focus areas this year included:

- ✓ Building the communications network to support future data capabilities
- ✓ Preparing internal systems for integration across services
- ✓ Advancing planning for large-scale meter deployment

Together, these investments support a more resilient, responsive electricity system and position Utilities Kingston to meet the evolving needs of our community.





## Financial performance

### Financial management discussion

Included in this annual report are the corporation's financial statements for the year ended December 31, 2025, which have been prepared in accordance with International Financial Reporting Standards.

### Balance sheet

At December 31, 2025, Kingston Hydro has cash available, as represented by Cash and Due from City of Kingston, \$13 million to fund current liabilities.

Kingston Hydro's gross capital assets increased \$6 million (2024 - \$4.4 million) to \$98.3 million.

The net book value of the capital assets amounted to \$71.2 million, compared to \$67.9 million in 2024.

Kingston Hydro increased its third-party arm's length debt in 2025 by a net amount of \$2,900,000. New debt of \$4,000,000 was obtained offset by principal repayments on existing debt of \$1,100,000.

As a result of the above, total debt increased to approximately \$40 million compared to the 2024 value of \$37 million.

The net balance of the regulatory deferral account balances at the end of the year is a debit of \$1.4 million compared to \$3.7 million in 2024. 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 2025, total energy sales were \$91 million, an increase of \$7 million from 2024 sales of \$84 million. Cost of energy increased \$4 million from \$85 million in 2024 to \$89 million in 2025. The difference in energy sales and cost of energy in any given year forms part of the regulatory deferral account balances recorded on the balance sheet that is referred to above and ultimately collected from, or refunded to, customers in future years.

Distribution revenue increased by \$700,000 as a result of a 3.45% distribution rate increase approved by the OEB and implemented effective January 1, 2025.

Operating expenses increased \$900,000 in 2025 due to expenditures for strategic planning, insurance, and storm clean up expenses. Finance costs for 2025 increased due to refinancing costs, while Finance income was lower than 2024 due to decreases in the prime lending rate by the Bank of Canada.

Net earnings and net movements in regulatory deferral account balances increased by \$200,000 in 2025 to \$2.5 million for the year.

## Statement of cash flows

In 2025, Kingston Hydro recorded additions to capital assets of \$6 million and a net increase in deferred revenue in the amount of \$86,000.

The company returned dividend payments of \$833,000 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 2025 was approximately \$1,472,000 compared to \$964,000 in 2024.

# 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, 2025



**KPMG LLP**  
863 Princess Street, Suite 400  
Kingston, ON K7L 5N4  
Canada  
Telephone 613 549 1550  
Fax 613 549 6349

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of Kingston Hydro Corporation

### ***Opinion***

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

- the balance sheet as at December 31, 2025
- 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 material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

### ***Basis for Opinion***

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

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

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



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

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

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

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



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 20, 2026

# KINGSTON HYDRO CORPORATION

Financial Statements

Year ended December 31, 2025

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# KINGSTON HYDRO CORPORATION

## Balance Sheet

December 31, 2025, with comparative information for 2024

	2025	2024
<b>Assets</b>		
Current assets:		
Cash	\$ 8,959	\$ 3,139
Due from City of Kingston (note 10(b))	13,361,771	6,047,176
Miscellaneous accounts receivable	1,057,458	758,706
Billed revenue receivable	4,146,775	5,050,004
Unbilled revenue	12,252,303	10,408,415
Inventory	1,905,702	1,847,326
Prepaid expenses	373,701	233,163
Due from retailers	36,193	-
Payments in lieu of taxes recoverable (note 15)	251,976	-
	<u>33,394,838</u>	<u>24,347,929</u>
Non-current assets:		
Property, plant and equipment (note 5)	71,156,004	67,854,756
	<u>104,550,842</u>	<u>92,202,685</u>
Total assets	104,550,842	92,202,685
Regulatory debit balances (note 9)	4,168,237	6,322,154
	<u>\$ 108,719,079</u>	<u>\$ 98,524,839</u>

	2025	2024
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,634,543	\$ 8,812,331
Current portion of long-term debt (note 7(a))	5,253,560	4,777,930
Due to retailers	-	64,704
Deposits payable	4,372,931	787,587
Payments in lieu of corporate income taxes payable	-	178,151
	<u>20,261,034</u>	<u>14,620,703</u>
Non-current liabilities:		
Note payable to City of Kingston (note 6)	10,880,619	10,880,619
Employee future benefit liabilities (note 11(d))	1,000,255	1,154,417
Long-term debt (note 7(a))	23,770,977	21,350,647
Deferred revenue	6,045,592	5,959,803
Deferred tax liability (note 15)	3,548,108	3,206,010
	<u>65,506,585</u>	<u>57,172,199</u>
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	13,140	4,485
Retained earnings	24,110,185	22,433,749
	<u>40,397,045</u>	<u>38,711,954</u>
Commitments and contingencies (notes 13 and 14)		
	<u>105,903,630</u>	<u>95,884,153</u>
Total liabilities and shareholder's equity	105,903,630	95,884,153
Regulatory credit balances (note 9)	1,439,850	1,373,699
Deferred tax associated with regulatory balances	1,375,599	1,266,987
	<u>1,815,449</u>	<u>2,640,686</u>
Total equity, liabilities and regulatory credit balances	<u>\$ 108,719,079</u>	<u>\$ 98,524,839</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
 \_\_\_\_\_  
 Bryan Paterson,  
 Chair, Board of Directors

  
 \_\_\_\_\_  
 Ron Chatterton,  
 Chair, Audit and Risk Committee

# KINGSTON HYDRO CORPORATION

## Statement of Comprehensive Income

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Energy sales	\$ 90,893,513	\$ 83,794,599
Cost of energy	88,630,813	84,641,011
	2,262,700	(846,412)
Other income	1,201,195	761,958
IESO Conservation Program revenue	903	–
Distribution revenue (notes 3(b) and 4)	15,588,893	14,922,595
Net operating revenue	19,053,691	14,838,141
Operating expenses:		
IESO Conservation Program expenses	903	109,011
Distribution expenses, operation	1,489,029	1,399,248
Distribution expenses, maintenance	2,194,860	1,826,309
Billing and collecting	1,146,836	1,111,856
Community relations	707,543	724,050
General and administrative	4,176,690	3,721,004
Depreciation and amortization	2,704,306	2,668,535
	12,420,167	11,560,013
Earnings before finance costs, taxation and net movement in regulatory account balances	6,633,524	3,278,128
Finance income	246,951	294,974
Finance costs	(1,696,539)	(1,555,391)
Earnings before taxation and movements in regulatory deferral account balances	5,183,936	2,017,711
Current tax expense (note 15)	370,947	555,791
Deferred tax expense (note 15)	342,098	305,562
	713,045	861,353
Net earnings before movements in regulatory deferral account balances	4,470,891	1,156,358
Movement due to differences between sales and cost	(2,262,700)	846,412
Distribution revenue offset	–	–
Tax effect of net movement in regulatory deferral account balances	(301,245)	(320,393)
Net movement in regulatory deferral account balances related to profit or loss	(1,961,455)	1,166,805
Net earnings and net movements in regulatory deferral account balances	2,509,436	2,323,163
Other comprehensive loss:		
Change in fair value of cash flow hedge	–	(58,090)
Actuarial gain (loss) on employee future benefits	8,655	(192,805)
Total comprehensive income	\$ 2,518,091	\$ 2,072,268

See accompanying notes to financial statements.

# KINGSTON HYDRO CORPORATION

## Statement of Changes in Shareholder's Equity

Year ended December 31, 2025, with comparative information for 2024

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, January 1, 2024	\$ 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
Net earnings	–	–	–	2,509,436	2,509,436
Other comprehensive income	–	–	8,655	–	8,655
Dividends	–	–	–	(833,000)	(833,000)
Balance, December 31, 2025	\$ 12,380,617	\$ 3,893,103	\$ 13,140	\$ 24,110,185	\$ 40,397,045

See accompanying notes to financial statements.

# KINGSTON HYDRO CORPORATION

## Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operations:		
Net earnings	\$ 2,509,436	\$ 2,323,163
Items not involving cash:		
Depreciation and amortization	2,704,306	2,668,535
Tax expenses	713,045	861,353
Tax expenses included in net movement in regulatory deferral account balances	108,612	115,516
Change in employee future benefit liabilities	(145,507)	69,470
Income taxes paid	(801,074)	(376,085)
Change in non-cash operating balances (note 16)	(1,226,193)	(1,239,088)
	<u>3,862,625</u>	<u>4,422,864</u>
Financing:		
Increase in deferred revenue	85,789	150,308
Dividends paid	(833,000)	(325,000)
Repayment of long-term debt payable	(1,104,040)	(1,063,576)
Proceeds of long-term debt	4,000,000	1,200,000
	<u>2,148,749</u>	<u>(38,268)</u>
Investments:		
Net purchase of property, plant and equipment	(6,005,554)	(4,429,511)
Increase (decrease) in cash	5,820	(44,915)
Cash, beginning of year	3,139	48,054
Cash, end of year	<u>\$ 8,959</u>	<u>\$ 3,139</u>

See accompanying notes to financial statements.

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements

Year ended December 31, 2025

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# KINGSTON HYDRO CORPORATION

Notes to Financial Statements

Year ended December 31, 2025

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## 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, 2025.

## 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 20, 2026.

### (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, 2025

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## 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, 2025

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## 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.

The GDP IPIFDD for rates effective January 1, 2026 is 3.7%, the Corporation's productivity factor is 0.000% and the stretch factor is 0.15%, The OEB issued its Decision and Rate Order on December 11, 2025, approving a net increase of 3.55% for 2026 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, 2025

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### 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, 2025

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### 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, 2025

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### 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, 2025

### 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, 2025

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### 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, 2025

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### 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 2025, the rates were 3.64% from January 1, 2025, to March 31, 2025, decreasing to 3.16% from April 1, 2025, to June 30, 2025, decreasing to 2.91% from June 30, 2025, to December 31, 2025. (2024 - 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).

#### (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, 2025

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### 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, 2025

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### 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 ("OEFEC"). 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, 2025

## 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 12, 2024, the OEB approved the tariff of rates and charges, effective January 1, 2025, for electricity consumed or estimated to be consumed on or after January 1, 2025. In addition, the OEB ordered the Corporation to establish certain deferral and variance accounts to track revenues and expenses for years 2025 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, 2025	\$ 2,283,000	\$ 87,327,962	\$ 2,415,329	\$ 233,831	\$ 92,260,122
Additions	14,946	3,551,763	272,555	2,284,468	6,123,732
Disposals/retirements	–	(118,689)	–	–	(118,689)
Balance, December 31, 2025	\$ 2,297,946	\$ 90,761,036	\$ 2,687,884	\$ 2,518,299	\$ 98,265,165
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

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

## 5. Property, plant and equipment (continued):

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Total
Balance, January 1, 2025	\$ 349,279	\$ 22,336,612	\$ 1,719,475	\$ 24,405,366
Depreciation charge	54,940	2,388,453	260,913	2,704,306
Disposals/retirements	–	(511)	–	(511)
Balance, December 31, 2025	\$ 404,219	\$ 24,724,554	\$ 1,980,388	\$ 27,109,161

	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

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
At December 31, 2025	\$ 1,893,727	\$ 66,036,482	\$ 707,496	\$ 2,518,299	\$ 71,156,004
At December 31, 2024	\$ 1,933,721	\$ 64,991,350	\$ 695,854	\$ 233,831	\$ 67,854,756

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

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## **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 (2024 - \$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 2025 fiscal year were \$638,692 (2024 - \$638,692).

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

## 7. Bank loans and long-term debt:

(a) Long-term debt:

	2025	2024
Committed reduced term facility (single draw), fixed rate of 2.12%, due December 2030 (facility 3)	\$ 1,385,704	\$ 1,542,980
Committed reduced term facility (single draw), fixed rate of 2.02%, due December 2027 (facility 3)	2,268,250	2,337,306
Committed reduced term facility (single draw), fixed rate of 3.93%, due February 2026 (facility 6)	871,321	993,813
Committed reduced term facility (single draw), fixed rate of 3.92%, due December 2042 (Infrastructure Ontario)	2,457,899	2,558,026
Committed reduced term facility (single draw), fixed rate of 3.27%, due December 2029 (facility 3)	2,609,656	2,680,137
Committed reduced term facility (single draw), fixed rate of 3.15%, due, December 2028 (facility 3)	1,697,786	1,757,801
Capital loan, fixed rate of 4.146%, due November 15, 2030 (facility 3)	2,143,922	2,199,328
Capital loan, fixed rate of 3.21%, due December 8, 2030 (facility 3)	915,336	937,530
Capital loan, fixed rate of 3.23%, due December 9, 2030 (facility 3)	1,111,487	1,153,200
Committed reduced term facility (single draw), fixed rate of 4.583%, due December 2031 (facility 3)	1,528,721	1,553,564
Committed reduced term facility (single draw), fixed rate of 2.842%, due April 2032 (facility 3)	1,523,727	1,740,329
Committed reduced term facility (single draw), fixed rate of 5.397%, due December 2026 (facility 3)	1,668,771	1,710,479
Committed reduced term facility (single draw), fixed rate of 5.273%, due December 2028 (facility 3)	1,120,189	1,148,447
Committed reduced term facility (single draw), fixed rate of 4.310%, due December 11, 2029	1,179,976	1,200,000
Committed reduced term facility (single draw), fixed rate of 4.40%, due December 4, 2026	1,720,032	1,772,570
Committed reduced term facility (single draw), fixed rate of 4.641%, due December 17, 2032	2,000,000	–
Committed reduced term facility (single draw), fixed rate of 3.849%, due December 17, 2027	2,000,000	–
Capital loan, fixed rate of 4.484%, due December 18, 2028	821,760	843,067
Carry forward	29,024,537	26,128,577

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

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

(a) Long-term debt (continued):

	2025	2024
Carried forward	\$ 29,024,537	\$ 26,128,577
Less:		
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
Committed reduced term facility (single draw), fixed rate of 3.982%, due February 18, 2026	871,321	–
Committed reduced term facility (single draw), fixed rate of 5.397%, due December 12, 2026.	1,668,771	–
Committed reduced term facility (single draw), fixed rate of 4.40%, due December 4, 2026.	1,720,032	–
Current portion of long-term debt	993,436	1,025,038
	5,253,560	4,777,930
	<b>\$ 23,770,977</b>	<b>\$ 21,350,647</b>

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

2026	\$ 5,253,560
2027	3,153,115
2028	4,264,361
2029	4,275,090
2030 and thereafter	12,078,411
	<b>\$ 29,024,537</b>

(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, 2025 (2024 - \$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, 2025

## 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 2025 were \$2,827,238 (2024 - \$2,416,070).

The OMERS plan has a deficit of \$1.3 billion as at December 31, 2025 (2024 - \$2.9 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:

	2024	Balances arising in the period	Recovery/reversal	2025	Remaining recovery period (years)
<b>Regulatory deferral account debit balances</b>					
Group 1 deferred accounts	\$ 2,313,805	\$ (2,135,709)	\$ (178,096)	\$ –	–
Regulatory asset recovery account	307,291	(500,223)	244,249	51,317	–
Other regulatory accounts	147,054	53,476	–	200,530	–
Deferred income taxes	3,554,004	362,386	–	3,916,390	–
<b>Total amount related to regulatory deferral account debit balances</b>	<b>\$ 6,322,154</b>	<b>\$ (2,220,070)</b>	<b>\$ 66,153</b>	<b>\$ 4,168,237</b>	

	2024	Balances arising in the period	Recovery/reversal	2025	Remaining recovery period (years)
<b>Regulatory deferral account credit balances</b>					
Group 1 deferred accounts	\$ (1,373,699)	\$ –	\$ (66,151)	\$ (1,439,850)	–

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

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## 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-2025-0026) 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 11, 2025, the OEB approved the disposition of a debit balance of \$850,066 as of December 31, 2024, including interest projected to December 31, 2025 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 \$15,720,904 (2024 - \$13,320,989) 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, 2025 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, 2025, 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 \$13,361,771 (2024 - \$6,047,176) 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, 2025 is \$135,725 (2024 - \$168,599).

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

## 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, 2025. 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:

	2025	2024
Accrued benefit liabilities, January 1	\$ 748,864	\$ 538,743
Service cost	72,884	267,517
Payments	(184,228)	(57,396)
Accrued benefit liabilities, December 31	\$ 637,520	\$ 748,864

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, 2025 and is \$277,010 (2024 - \$236,955).

### (d) Future benefit liabilities:

	2025	2024
Future benefit liabilities are comprised of:		
Pension plan	\$ 135,725	\$ 168,599
Health, dental and life insurance	637,520	748,863
Accumulated sick leave	227,010	236,955
	\$ 1,000,255	\$ 1,154,417

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

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## 12. Share capital:

	2025	2024
Authorized:		
Unlimited Class A common shares		
Issued and outstanding:		
120 Class A common shares	\$ 12,380,617	\$ 12,380,617

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## 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, 2025 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, 2025

## 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:

	2025	2024
Federal and Ontario statutory income tax rate	26.5%	26.5%
Earnings before provision for PILs	\$ 3,222,481	\$ 3,184,516
Provision for PILs at statutory rate	\$ 853,957	\$ 843,897
Change resulting from:		
Tax effect of regulatory assets and liabilities	(79,830)	(60,690)
Tax effect of other miscellaneous adjustments	(61,082)	78,146
Provision for PILs	\$ 713,045	\$ 861,353
Effective income tax rate	22.13%	27.05%

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

	2025	2024
Shortfall of tax values over accounting values		
of fixed assets	\$ (3,813,177)	\$ (3,511,931)
Future benefit liabilities	265,068	305,920
Regulatory assets	(1,375,599)	(1,266,987)
Derivative asset	–	1
	\$ (4,923,708)	\$ (4,472,997)

# KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

## 16. Change in non-cash operating balances:

	2025	2024
(Increase) decrease in due from City of Kingston	\$ (7,314,595)	\$ 241,729
(Increase) decrease in miscellaneous accounts receivable	(298,752)	514
Decrease (increase) in billed revenue receivable	903,229	(74,160)
Increase in unbilled revenue	(1,843,888)	(995,224)
(Increase) decrease in inventory	(58,376)	252,012
Increase in prepaid expenses	(140,538)	(149,105)
Increase (decrease) in accounts payable and accrued liabilities	1,822,212	(489,781)
Decrease in due to retailers	(100,897)	(7,279)
Increase in deposits payable	3,585,344	46,680
Change in regulatory deferral account balances	2,220,068	64,474
	<u>\$ (1,226,193)</u>	<u>\$ (1,239,088)</u>

## 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, 2025

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## 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, 2025 is \$4,656,904 (2024 - \$4,494,392).

## 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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