

Financial Statements of

**GREATER SUDBURY HYDRO INC. /
HYDRO DU GRAND SUDBURY INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Greater Sudbury Hydro Inc. / Hydro du Grand Sudbury Inc.

Opinion

We have audited the financial statements of Greater Sudbury Hydro Inc. / Hydro du Grand Sudbury Inc. (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of profit or loss and other comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of 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 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.

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 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.

- 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.



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- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

April 28, 2025

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Accounts receivable (note 4)	\$ 12,438,989	\$ 11,475,262
Unbilled revenue:		
Energy sales	10,204,784	9,845,624
Distribution	2,385,267	2,267,608
Prepaid expenses	191,204	549,449
Payments in lieu of taxes recoverable (note 7)	33,731	44,195
	25,253,975	24,182,138
Property, plant and equipment (note 5)	132,693,110	124,405,212
Intangible assets (note 6)	205,691	197,507
Investment in ConverGen Inc.	400,000	400,000
Total assets	158,552,776	149,184,857
Regulatory deferral account debit balances (note 9)	20,593,350	23,263,043
Total assets and regulatory balances	\$ 179,146,126	\$ 172,447,900

See accompanying notes to financial statements.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Statement of Financial Position (continued)

December 31, 2024, with comparative information for 2023

	2024	2023
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank indebtedness (note 3)	\$ 6,774,244	\$ 8,003,344
Accounts payable and accrued liabilities	5,001,952	4,147,818
Payable for energy purchases	10,221,450	9,366,074
Current portion of long-term obligations (note 11)	1,054,994	1,017,410
	23,052,640	22,534,646
Deferred revenue (note 8)	11,847,350	10,901,313
Deferred payment in lieu of taxes (note 7)	2,029,209	3,010,008
Promissory note payable (note 10)	48,645,457	48,645,457
Long-term obligations (note 11)	29,044,621	23,472,632
Total liabilities	114,619,277	108,564,056
Shareholder's equity:		
Share capital (note 13)	20,848,052	20,848,052
Retained earnings	41,961,833	38,325,519
Accumulated other comprehensive income	545,892	840,333
	63,355,777	60,013,904
Total liabilities and shareholder's equity	177,975,054	168,577,960
Regulatory deferral account credit balances (note 9)	1,171,072	3,869,940
Commitments and contingencies (note 14)		
Guarantees (note 15)		
Total liabilities, regulatory balances and equity	\$ 179,146,126	\$ 172,447,900

See accompanying notes to financial statements.

Approved by the Board of Directors:


Mark Signoretti (Apr 28, 2025 16:39 EDT) Director

Director

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Statement of Profit or Loss and Other Comprehensive Income

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

	2024	2023
Revenue: (note 19)		
Energy sales	\$ 112,440,415	\$ 102,852,575
Distribution	28,860,727	27,695,056
	141,301,142	130,547,631
Other operating revenue	3,575,536	3,211,170
	144,876,678	133,758,801
Expenses:		
Cost of energy	113,008,177	102,241,258
Distribution - operations	7,771,662	7,509,410
General administration	5,264,633	4,795,715
Depreciation of property, plant and equipment	5,119,291	4,853,253
Interest on promissory note payable	3,531,660	3,531,660
Billing and collections	2,798,344	2,623,840
Distribution - maintenance	2,248,073	1,926,351
Recoverable expenses	1,267,752	954,320
Interest on long-term obligations	973,674	1,150,873
Loss on disposal of property, plant and equipment	224,531	435,489
Amortization of intangible assets	27,065	16,101
	142,234,862	130,038,270
Profit before tax and regulatory items	2,641,816	3,720,531
Recovery in lieu of taxes (note 7)	(944,476)	(23,725)
Profit for the period	3,586,292	3,744,256
Net movement in regulatory balances, net of tax (note 9)	50,022	(412,683)
Profit for the period after net movements in regulatory balances, net of tax	3,636,314	3,331,573
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedge (note 11)	(294,441)	(290,878)
Items that will not be reclassified to profit or loss:		
Remeasurement of employee future benefit obligation (note 12)	20,858	(698,829)
Net movement in regulatory balances related to other comprehensive income (note 9)	(20,858)	698,829
Total comprehensive income for the period	\$ 3,341,873	\$ 3,040,695

See accompanying notes to financial statements.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Statement of Changes in Equity

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

	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2023	\$ 20,848,052	\$ 34,993,946	\$ 1,131,211	\$ 56,973,209
Profit for the period after net movements in regulatory balances, net of tax	-	3,331,573	-	3,331,573
Other comprehensive loss	-	-	(290,878)	(290,878)
Balance, December 31, 2023	20,848,052	38,325,519	840,333	60,013,904
Profit for the period after net movements in regulatory balances, net of tax	-	3,636,314	-	3,636,314
Other comprehensive loss	-	-	(294,441)	(294,441)
Balance, December 31, 2024	\$ 20,848,052	\$ 41,961,833	\$ 545,892	\$ 63,355,777

See accompanying notes to financial statements.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Statement of Cash Flows

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

	2024	2023
Cash provided by (used in):		
Operating activities:		
Comprehensive income	\$ 3,341,873	\$ 3,040,695
Items not involving cash:		
Depreciation of property, plant and equipment	5,633,923	5,324,597
Amortization of intangible assets	27,065	16,101
Non-cash employee future benefit obligation	568,322	1,298,584
Loss on disposal of property, plant and equipment	224,531	435,489
Loss on swap contract	294,441	290,878
Amortization of deferred revenue	(110,045)	(80,605)
Recovery in lieu of taxes	(944,476)	(23,725)
	9,035,634	10,302,014
Changes in non-cash working capital:		
Accounts receivable	(963,727)	(312,587)
Prepaid expenses	358,245	(336,494)
Unbilled revenue:		
Energy sales	(359,160)	(541,677)
Distribution	(117,659)	(42,978)
Customer deposits	(349,969)	(116,185)
Regulatory assets/liabilities	(29,175)	(286,146)
Accounts payable and accrued liabilities	854,134	(846,823)
Deferred revenue	(227,937)	(560,572)
Payable for energy purchases	855,376	554,314
	9,055,762	7,812,866
Employee future benefits paid	(592,562)	(586,926)
Payment in lieu of taxes (paid) recovered	(25,859)	203,049
	8,437,341	7,428,989
Investing activities:		
Purchase of property, plant and equipment	(14,098,652)	(10,031,270)
Contributions in aid of construction	1,284,019	1,780,099
Proceeds on disposal of property, plant and equipment	225,940	88,966
Increase (decrease) in developer expansion deposits	44,425	(1,309,840)
Purchase of intangible assets	(35,249)	(102,350)
	(12,579,517)	(9,574,395)
Financing activities:		
Repayment of term and bank loans	(628,724)	(597,380)
Issuance of long-term debt	6,000,000	-
	5,371,276	(597,380)
Decrease (increase) in bank indebtedness during the year	1,229,100	(2,742,786)
Bank indebtedness, beginning of year	(8,003,344)	(5,260,558)
Bank indebtedness, end of year	\$ (6,774,244)	\$ (8,003,344)

See accompanying notes to financial statements.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements

Year ended December 31, 2024

Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the City of Greater Sudbury. The address of the Corporation's registered office is 500 Regent Street, P.O. Box 250/500 rue Regent, CP 250, Sudbury ON P3E 3Y2.

The Corporation delivers electricity and related energy services to residential and commercial customers in the City of Greater Sudbury and parts of the Municipality of West Nipissing. The Corporation is wholly owned by Greater Sudbury Utilities Inc. / Services Publics du Grand Sudbury Inc. which is itself wholly owned by the City of Greater Sudbury / Ville du Grand Sudbury.

1. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The financial statements were approved by the Board of Directors on April 28, 2025.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements.

Due to the inherent uncertainty in making estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by regulators and governments. Management reviews its estimates and judgments on an ongoing basis using the most current information available. These financial statements have, in management's opinion, been properly prepared using careful judgment and reasonable limits of materiality within the framework of the material accounting policies.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

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

Significant areas where estimates and judgments are made in the application of IFRS Accounting Standards are as follows:

i) Accounts receivable:

Accounts receivable and unbilled revenue are reported based on the amounts expected to be recovered less a loss allowance for expected credit losses. Management utilizes historical loss experience and forward-looking information in conjunction with the aging and arrears status of accounts receivable at year-end in the determination of the allowance.

ii) Regulatory balances:

The recognition and measurement of regulatory balances is subject to certain estimates, judgments and assumptions, including assumptions made in the interpretation of the Ontario Energy Board's ("OEB") regulations and decisions. The Corporation continues to assess the likelihood of recovery of all regulatory debit balances subject to recovery through a future rate filing. The absence of OEB approval is a consideration in this evaluation.

iii) Useful lives of depreciable assets:

Depreciation and amortization expense are calculated based on estimates of the useful lives of property, plant and equipment and intangible assets. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of electricity distribution and industry experience.

iv) Impairment of non-financial assets:

Non-financial assets are reviewed by management for impairment using the future cash flows method as outlined in note 2(h)(ii). By their nature, estimates of future cash flows, including estimates of future capital expenditures, revenue, operating expenses, discount rates, inflation, terminal capitalization rates and forecasted market pricing [including ancillary, capacity and other market incentives] are subject to measurement uncertainty. Management factors in current economic conditions, past experience and obtains third party consultations to support its estimates when necessary.

v) Employee future benefits:

The measurement of employee future benefits involves the use of numerous estimates and assumptions. Actuaries make assumptions for items such as discount rates, future salary increases and mortality rates in the determination of benefits expenses and defined benefit obligations.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

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

i) Developer expansion deposits:

The measurement of developer expansion deposits is based on an economic evaluation performed by the Corporation to estimate the anticipated future economic benefit refundable to developers.

ii) Deferred income taxes:

Tax interpretations, regulations and legislation in the various jurisdictions in which the Corporation and its subsidiaries operate are subject to change. Deferred income tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable income, taking into account potential tax planning opportunities. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax assets and unused tax losses can be utilized.

iii) Indicator of asset impairment:

At the end of each reporting period, or earlier if required, management uses its judgment to assess whether there is an indication that the carrying amount of a non-financial asset or cash-generating unit ("CGU") exceeds its recoverable amount. This assessment involves the consideration of whether any events or changes in circumstances could have affected the recoverability of the carrying amount of a non-financial asset or CGU. Management considers various indicators including, but not limited to, adverse changes in the industry or economic conditions; changes in the degree or method of use of an asset; a lower-than-expected economic performance of an asset or a significant change in market or interest rates.

Based on management's judgment, there are no indicators of impairment at December 31, 2024.

(e) Rate regulation:

The Corporation is regulated by the 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, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

(e) Rate regulation (continued):

Rate setting:

i) Distribution revenue:

For the distribution revenue related to electricity sales, the Corporation typically 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 ("IRM") application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a "stretch factor" determined by the relative efficiency of an electricity distributor.

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

On November 22, 2022, the Corporation filed an IRM requesting a 3.40% increase to distribution rates for the period of May 1, 2023 to April 30, 2024. The IRM was approved on March 23, 2023.

On October 11, 2023, the Corporation filed an IRM requesting a 4.50% increase to distribution rates for the period of May 1, 2024 to April 30, 2025. The IRM was approved on March 21, 2024.

On October 30, 2024, the Corporation filed a COS application requesting a rate increase effective May 1, 2025. The Corporation submitted a proposal, which resulted from a settlement agreement with intervening parties, to the OEB on March 19, 2025. As of the date of the financial statements the proposal is still pending approval by the OEB.

ii) 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.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies:

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

(a) Regulation:

The following regulatory treatments have resulted in accounting treatments which differ from those prescribed by IFRS for enterprises operating in an unregulated environment and regulated entities that have not adopted IFRS 14, Regulatory Deferral Accounts ("IFRS 14").

(b) Regulatory balances:

The Corporation has adopted IFRS 14 as an interim standard giving entities conducting rate-regulated activities the option of continuing to recognize regulatory balances according to their previous Generally Accepted Accounting Principles. Regulatory balances provide useful information about the Corporation's financial position, financial performance and cash flows. IFRS 14 will remain in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

The Corporation has determined that certain asset and liability balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the Accounting Procedures Handbook for Electricity Distributors. Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Corporation's regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory asset and liability balances on the Corporation's balance sheet, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

Regulatory deferral account asset 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 liability balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account asset 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 asset 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.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(b) Regulatory balances (continued):

Regulatory deferral account liability balances are recognized if it is probable that future billings in an amount at least equal to the liability balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The liability 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 liability balance.

The probability of recovery or repayment of the regulatory account balances is 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 interest rate was 5.49% for the first and second quarter, 5.20% for the third quarter and 4.40% for the fourth quarter. Regulatory balances can be recognized for rate-setting and financial reporting purposes only if the OEB directs the relevant regulatory treatment or if future OEB direction is determined by management to be probable. In the event that the disposition of these balances is assessed to no longer be probable based on management's judgment, the balances are recorded in the Corporation's statement of profit or loss and comprehensive income in the period when the assessment is made. Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the statement of financial position as regulatory deferral account debit/credit balances and on the statement of profit or loss and comprehensive income as net movements in regulatory balances, net of tax. The netting of regulatory debit and credit balances is not permitted.

The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's regulations and decisions.

(c) Financial instruments:

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

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

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Financial instruments (continued):

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, 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.

The corporation classifies and subsequently measures its financial instruments as follows:

- i) Cash, accounts receivable and unbilled revenue are financial assets classified and measured at amortized cost using the effective interest rate method.
- ii) Bank indebtedness, accounts payable and accrued liabilities, payable for energy purchases, promissory note payable and long-term obligations are financial liabilities classified and measured at amortized cost using the effective interest rate method.
- iii) Interest rate swaps are recorded at fair value through other comprehensive income.

Measurement of fair values:

When measuring the fair value of an asset or liability, the Corporation uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities:

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurements.

The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the changed occurred.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Financial instruments (continued):

Measurement of fair values (continued):

The Corporation recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Corporation measures loss allowances for electricity receivables, unbilled receivables and trade receivables via a simplified approach as permitted by IFRS 9 - Financial Instruments at an amount equal to lifetime expected credit losses.

Loss allowances financial assets measured at amortized cost are deducted from the gross carrying amount of the asset. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

(d) Revenue recognition:

i) Electricity sales:

Electricity sales are recognized as the electricity is delivered to customers and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Electricity revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. 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.

The difference between the amounts charged by the Corporation to customers, based on regulated rates, and the corresponding cost of electricity and related electricity service costs billed monthly by the Independent Electricity System Operator ("IESO") is recorded as a settlement variance. In accordance with IFRS 14, this settlement variance is presented within regulatory balances on the balance sheets and within net movements in regulatory balances, net of tax on the statement of profit or loss and comprehensive income.

ii) Distribution:

The Corporation charges customers for the delivery of electricity based on rates established by the OEB. The rates are intended to allow the Corporation to recover its prudently-incurred costs and earn a fair return on invested capital. Distribution revenue is recognized over time as electricity is delivered to the customer as measured by meter reading or usage estimates.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(d) Revenue recognition (continued):

iii) 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 not accounted for under IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). 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 profit or loss 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. The contributions are received to obtain a connection to the distribution system in order to 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.

iv) Other operating revenue:

Other operating revenues are recognized when services are provided and the customer takes ownership and assumes risk of loss in accordance with customer contracts, collection of the relevant receivable is probable, persuasive evidence of arrangement exists and the revenue amount is fixed or determinable. Amounts received for future services are deferred until the service is provided.

(e) Capital inventory:

Capital inventory, which is included within capital inventory and construction in progress within property, plant and equipment, comprising of 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.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(f) Property, plant and equipment:

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.

When parts of an item of property, plant and equipment ("PP&E") 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 in the statement of profit or loss and comprehensive income.

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

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

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 PP&E. The depreciable amount is cost. Land, capital inventory, spare parts and standby equipment are not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

The estimated useful lives are as follows:

Buildings	25 - 50 years
Distribution equipment	20 – 50 years
Other fixed assets	5 – 20 years

Depreciation is taken at 50% of the above rates in the year of acquisition.

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

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(g) Intangible assets:

i) Computer software:

Computer software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

ii) Land rights:

Payments to obtain rights to access land (land rights) are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title.

iii) Amortization:

Amortization is recognized within profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than land rights, from the date that they are available for use. The estimated useful lives are:

Computer software	5 years
Land rights	Not amortized

Amortization is taken at 50% of the above rates in the year of acquisition.

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

(h) Impairment:

i) Financial assets measured at amortized cost:

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

ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than capital inventories and deferred payment in lieu of taxes 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.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(h) Impairment (continued):

ii) Non-financial assets (continued):

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For 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.

(i) 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.

(j) Employee future benefits:

i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the "Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings for the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(j) Employee future benefits (continued):

i) Pension plan (continued):

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan with employee benefit expense recorded in profit or loss when they are due.

ii) Post-employment benefits, other than pension:

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in accumulated other comprehensive income. Under the settlement proposal for its 2020 Cost of Service application, the Corporation was authorized to defer actuarial gains and losses, which will be addressed in a future rate application. Additional information with respect to this regulatory balance is presented in note 9(c).

(k) 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 a developer expansion deposit within long-term obligations. When the capital project is complete, the amount is transferred to deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to profit or loss 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.

(l) Finance income and finance costs:

Finance income comprises interest earned on cash and on regulatory assets.

Finance charges comprise interest expense on borrowings and regulatory liabilities. Finance costs are recognized as an expense.

(m) Payment in lieu of 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 other comprehensive income or directly in equity, in which case, the tax is also recognized directly in other comprehensive income or equity, respectively.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(m) Payment in lieu of taxes:

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 regulation. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes ("PILS") 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 profit or loss in the year that includes the date of enactment or substantive enactment.

(n) Leased assets:

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

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

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(n) Leased assets (continued):

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.

3. Bank credit facility:

The Corporation has access to an \$8,000,000 credit facility (2023 - \$8,000,000). The credit facility is only drawn upon in instances where the combined cash balance of the consolidated Greater Sudbury Utilities entity is in a negative position. As at December 31, 2024, the combined cash balance is positive therefore \$Nil (2023 – \$Nil) was drawn on the credit facility.

4. Accounts receivable:

	2024	2023
Electricity	\$ 11,253,367	\$ 10,523,955
Other	1,695,574	1,435,022
	12,948,941	11,958,977
Allowance for doubtful accounts:		
Balance, beginning of year	(483,715)	(615,410)
Increase in provision	(249,018)	(308,074)
Accounts receivable write-offs	222,781	439,769
Balance, end of year	(509,952)	(483,715)
	\$ 12,438,989	\$ 11,475,262

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Property, plant and equipment:

Cost:

	Land and Buildings	Distribution Equipment	Other Fixed Assets	Capital Inventory and Construction in Progress	Total
Balance, January 1, 2023	\$ 16,642,168	213,716,413	16,013,602	5,783,666	\$ 252,155,849
Additions (net of transfers)	73,467	8,563,338	476,667	917,798	10,031,270
Disposals/retirements	(49,715)	(2,239,023)	(972,150)	-	(3,260,888)
Balance, December 31, 2023	16,665,920	220,040,728	15,518,119	6,701,464	258,926,231
Additions (net of transfers)	721,202	12,605,794	1,169,566	(124,270)	14,372,292
Disposals/retirements	(24,218)	(2,120,370)	(292,041)	-	(2,436,629)
Balance, December 31, 2024	\$ 17,362,904	230,526,152	16,395,644	6,577,194	\$ 270,861,894

Accumulated depreciation:

	Land and Buildings	Distribution Equipment	Other Fixed Assets	Capital Inventory and Construction in Progress	Total
Balance, January 1, 2023	\$ 8,334,631	111,600,191	11,998,033	-	\$ 131,932,855
Depreciation charge	440,448	4,239,593	644,556	-	5,324,597
Disposals	(38,176)	(1,730,810)	(967,447)	-	(2,736,433)
Balance, December 31, 2023	8,736,903	114,108,974	11,675,142	-	134,521,019
Depreciation charges	453,231	4,448,454	732,238	-	5,633,923
Disposals	(20,391)	(1,683,368)	(282,399)	-	(1,986,158)
Balance, December 31, 2024	\$ 9,169,743	116,874,060	12,124,981	-	\$ 138,168,784

Carrying amounts:

	Land and Buildings	Distribution Equipment	Other Fixed Assets	Capital Inventory and Construction in Progress	Total
At December 31, 2023	\$ 7,929,017	105,931,754	3,842,977	6,701,464	\$ 124,405,212
At December 31, 2024	8,193,161	113,652,092	4,270,663	6,577,194	132,693,110

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

6. Intangible assets:

(a) Cost:

		Computer Software		Land Rights		Total
Balance, at January 1, 2023	\$	757,741	\$	75,635	\$	833,376
Additions		82,086		20,264		102,350
Balance, at December 31, 2023		839,827		95,899		935,726
Additions		27,560		7,689		35,249
Balance, at December 31, 2024	\$	867,387	\$	103,588	\$	970,975

(b) Accumulated amortization:

		Computer Software		Land Rights		Total
Balance, at January 1, 2023	\$	722,118	\$	—	\$	722,118
Amortization charges		16,101		—		16,101
Balance, at December 31, 2023		738,219		—		738,219
Amortization charges		27,065		—		27,065
Balance, at December 31, 2024	\$	765,284	\$	—	\$	765,284

(c) Carrying amounts:

		Computer Software		Land Rights		Total
At December 31, 2023	\$	101,608	\$	95,899	\$	197,507
At December 31, 2024	\$	102,103	\$	103,588	\$	205,691

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Payment in lieu of taxes (PILS):

Current PILS expense:

		2024		2023
Current payments in lieu of taxes	\$	25,054	\$	81,458
Other adjustment to prior years		11,269		28,958
	\$	36,323	\$	110,416

Deferred PILS expense (recovery):

		2024		2023
Origination and reversal of timing differences	\$	509,554	\$	720,678
Adjustment to prior years		(1,490,353)		(854,819)
	\$	(980,799)	\$	(134,141)
Recovery in lieu of taxes	\$	(944,476)	\$	(23,725)

Rate reconciliation before net movements in
regulatory balances:

Comprehensive income before PILS and regulatory items	\$	2,347,375	\$	3,429,653
Statutory Canadian federal and provincial income tax rate		26.5%		26.5%
PILS using the Corporation's statutory rate		622,054		908,858
Adjustment to prior years		(1,479,084)		(825,861)
Other		(87,446)		(106,722)
Payment (recovery) in lieu of taxes	\$	(944,476)	\$	(23,725)

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Payment in lieu of taxes (PILS) (continued):

All deferred tax liabilities are expected to be settled after 12 months. The tax effect of temporary differences that give rise to deferred tax liabilities are as follows:

	Employee Benefits	Plant and Equipment	Regulatory Adjustment	Other	Total
Balance, December 31, 2022	3,543,988	(1,848,531)	(5,977,501)	\$ 1,137,895	\$ (3,144,149)
Change in deferred tax balance	188,590	(306,624)	44,981	207,194	134,141
Balance, December 31, 2023	3,732,578	(2,155,155)	(5,932,520)	1,345,089	(3,010,008)
Change in deferred tax balance	(6,423)	(523,357)	1,444,786	65,793	980,799
Balance, December 31, 2024	\$ 3,726,155	\$ (2,678,512)	\$ (4,487,734)	\$ 1,410,882	\$ (2,029,209)

8. Deferred revenue:

Deferred revenue is comprised of capital contributions from developers to construct or acquire property, plant and equipment for the purpose of connecting future customers to the Corporation's distribution network. Capital contributions received from developers are recognized as deferred revenue and are amortized into revenue at an equivalent rate to that used for the depreciation of the related property, plant and equipment. As at December 31, 2024, unamortized capital contributions amounted to \$11,847,350 (2023 - \$10,901,313).

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Regulatory balances:

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

	January 1, 2024	Balances arising in the period	Recovery/ (reversal)	Other movements ¹	December 31, 2024
IFRS transition costs (a)	\$ 969,526	\$ 44,408	\$ (798,793)	\$ –	\$ 215,141
Retail settlement variances (b)	2,157,013	(207,114)	995,167	–	2,945,066
Other post employment benefit variances (c)	19,409,585	(566,234)	–	(4,993,488)	13,849,863
Other regulatory deferral/ variance – assets (e)	726,919	368,928	–	–	1,095,847
Deferred PILs (d)		487,710		1,999,723	2,487,433
Total Regulatory Assets	\$ 23,263,043	\$ 127,698	\$ 196,374	\$ (2,993,765)	\$ 20,593,350
Deferred PILs (d)	\$ 2,993,765	\$ –	\$ –	\$ (2,993,765)	\$ –
Other regulatory deferral/ variance - liabilities (f)	876,175	(17,063)	311,960	–	1,171,072
Total Regulatory Liabilities	\$ 3,869,940	\$ (17,063)	\$ 311,960	\$ (2,993,765)	\$ 1,171,072

	January 1, 2023	arising in the period	Balances Recovery/ (reversal)	Other movements ¹	December 31, 2023
IFRS transition costs (a)	\$ 1,597,512	\$ 170,457	\$ (798,443)	\$ –	\$ 969,526
Retail settlement variances (b)	2,640,436	(85,231)	(398,192)	–	2,157,013
Other post employment benefit variances (c)	18,525,566	884,019	–	–	19,409,585
Other regulatory deferral/ variance – assets (e)	533,666	193,253	–	–	726,919
Total Regulatory Assets	\$ 23,297,180	\$ 1,162,498	\$ (1,196,635)	\$ –	\$ 23,263,043
Deferred PILs (d)	\$ 3,449,653	\$ (455,888)	\$ –	\$ –	\$ 2,993,765
Other regulatory deferral /variance - liabilities (f)	740,570	(177,410)	313,015	–	876,175
Total Regulatory Liabilities	\$ 4,190,223	\$ (633,298)	\$ 313,015	\$ –	\$ 3,869,940

¹Other movements represent reclassifications of balances.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Regulatory balances (continued):

The regulatory balances of the Corporation consist of the following:

a) IFRS transition costs:

This account relates to the disposition of costs incurred between 2013 and 2019 associated with the transition from Canadian Generally Accepted Accounting Principles to IFRS Accounting Standards. These costs pertain to property, plant, and equipment that were not included in the 2013 rate base. The Corporation is recovering these costs over a five-year period ending April 30, 2025, as approved by the OEB.

b) Retail settlement variances:

These accounts record the differences between the amounts billed to customers for electricity and related services, based on OEB-approved rates, and the actual costs incurred by the Corporation for the corresponding electricity and non-competitive services. The variances have been deferred in accordance with OEB requirements.

c) Other post-employment benefits :

As part of its 2020 cost of service application, the Corporation received OEB approval to establish the following other post-employment benefit ("OPEB") related deferral accounts:

i) OPEB Cash to Accrual Transitional Amount:

This account captures the difference arising from the transition from a cash basis to an accrual basis of recovering OPEB costs through rates. The transitional amount recorded is \$26,089,910.

ii) OPEB Actuarial Gains and Losses Deferral Account:

This account records cumulative actuarial gains and losses related to OPEBs. These amounts may be subject to future recovery or refund depending on whether the balances offset over time.

d) Deferred PILS:

This account includes deferred tax amounts recognized in accordance with IFRS 14 (note 7). It also reflects the expected future impact on distribution rates resulting from timing differences in the recognition of deferred tax assets and liabilities.

e) Other regulatory deferral/variance accounts – assets:

This balance includes the following accounts:

- Cost of service application costs
- Pole attachment charge variances
- Deferred rate implementation costs

f) Other regulatory deferral/variance accounts – liabilities:

This balance includes the following accounts:

- Advance Capital Module ("ACM") – Cressey Substation
- Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")
- OPEB Asymmetrical Carrying Charges

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Promissory note payable:

The promissory note payable to the parent company Greater Sudbury Utilities Inc. / Services Publics du Grand Sudbury Inc. is unsecured and bears interest at a rate of 7.26% (2023 – 7.26%) per annum and has been subordinated to the Toronto-Dominion Bank as security on the Corporation's operating credit facilities.

The note is repayable in full on six months' written notice of the holder of the note. As at April 28, 2025, the holder has informed the Corporation it will not demand repayment of the note within one year.

During the year, interest totaling \$3,531,660 (2023 - \$3,531,660) was charged by Greater Sudbury Utilities Inc. / Services Publics du Grand Sudbury Inc. on the promissory note payable.

11. Long-term obligations:

	2024	2023
Employee future benefit obligation (note 12)	\$ 14,060,962	\$ 14,085,202
Multiple draw term loan (a)	196,926	369,261
Bank loan (b), (e) and (f)	14,621,203	9,077,592
Customer deposits (c)	1,259,691	1,609,660
Developer expansion deposits (d)	233,085	188,660
Site restoration liability (g)	273,640	–
Interest rate swap at fair value (a), (e) and (f)	(545,892)	(840,333)
	30,099,615	24,490,042
Less: current portion	(1,054,994)	(1,017,410)
	<u>\$ 29,044,621</u>	<u>\$ 23,472,632</u>

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Long-term obligations (continued):

- (a) On January 14, 2011, the Corporation was advanced monies under a reducing term, floating rate facility at a face amount of \$2,000,000 to finance the purchase of the smart meters. Concurrent with the entry into the loan facility, to mitigate the Corporation's exposure to interest rate risk, the Corporation entered into an International Swaps and Derivatives Association, 2002 Master Agreement. The interest rate swap is used for non-speculative purposes to convert floating rate debt into fixed rate debt bearing interest at 3.796%. The TD bank multiple draw term loan is secured by a general security agreement representing a first charge on all the borrower's assets and undertakings, and an unlimited guarantee of advances executed by the borrower. The debt facility has a termination date of January 19, 2026. The unrealized gain or loss on this contract is included as a component of other comprehensive income for the year. As at December 31, 2024, the Corporation recorded a liability of \$507 (2023 – asset of \$3,358).
- (b) The Corporation entered into a financing agreement on January 12, 2015 with TD Equipment Finance in the amount of \$971,604. The financing facility is payable in annual payments of \$119,805 including interest at a fixed rate of 4.33% over the 120 month term and is secured by the underlying specified assets under financing. As at December 31, 2024 the net book value of these assets is \$602,396 (2023 - \$641,261).
- (c) Customer deposits represent cash deposits from electricity distribution customers and retailers.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.
- (d) When a developer undertakes an expansion that adds to the Corporation's electricity distribution customer base, the developer is responsible for funding the necessary infrastructure. Ownership of this infrastructure is transferred to the Corporation, which then assumes the associated risks and responsibilities. At the outset of the project, the Corporation performs an economic evaluation to estimate the future benefit of the expansion. Based on this assessment, the Corporation determines the amount the developer is required to contribute, along with an additional expansion deposit to reflect the anticipated future economic benefit. This deposit is subject to refund over a five-year period as customer connections are made and the forecasted load materializes to a degree that is more likely than not. Developer expansion deposits represent the Corporation's estimated liability for amounts refundable to developers in respect of these expansions.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Long-term obligations (continued):

- (e) The Corporation entered into an unsecured debt arrangement with TD Bank in the form of funds available via multiple draws, up to a maximum of \$10,000,000 in total debt. The Corporation received a draw of \$5,500,000 on March 26, 2020 bearing interest at a fixed rate of 1.976% and arranged a further draw of \$4,500,000 on February 19, 2021 bearing interest at a fixed rate of 2.351%. The term of the draws are 10 years with 25-year amortization.

The Corporation has a series of interest rate swap contracts corresponding to this debt arrangement that were used to convert floating rate to fixed rate debt. The unrealized gain or loss on these contracts is included as a component of other comprehensive income for the year. As at December 31, 2024 the Corporation recorded an asset of \$610,413 (2023 - \$836,975).

- (f) The Corporation entered into a debt arrangement with TD Bank in the form of funds available via multiple draws, up to a maximum of \$6,000,000 in total debt, secured by a general security agreement. The Corporation received a draw of \$6,000,000 on November 4, 2024 bearing interest at a fixed rate of 3.992%. The term of the loan is 5 years.

The Corporation has an interest rate swap contract corresponding to this debt arrangement that was used to convert floating rate to fixed rate debt. The unrealized gain or loss on this contract is included as a component of other comprehensive income for the year. As at December 31, 2024 the Corporation recorded an liability of \$64,014 (2023 - \$Nil).

- (g) The Corporation recognized a provision in 2024 in respect of the constructive obligation to restore land where lead cables are located. The Corporation expects to remove the cables and restore the land by the period ending December 31, 2029, at a discounted cost of \$273,640.

Principal repayments relating to note 11 (a), (b), (e) and (f) for the next 5 years are as follows:

2025	\$ 670,031
2026	507,833
2027	505,021
2028	518,893
2029	533,144
Thereafter	12,083,207

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Employee future benefits:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2024 of \$14,060,962 was based on extrapolation of the last full actuarial valuation performed at December 31, 2022, using a discount rate of 4.65%.

The cost of providing benefits under the benefit plans is actuarially determined using the projected unit credit method, which incorporates management's best estimate of future salary levels, retirement ages of employees, health care costs, and other actuarial factors. Changes in actuarial assumptions and experience adjustments give rise to actuarial gains and losses. Actuarial gains and losses on medical, dental and life insurance benefits are recognized in OCI as they arise. Actuarial gains and losses related to rate-regulated activities are subsequently reclassified from OCI to a regulatory balance on the statement of financial position. Within the December 31, 2024 financial statements the actuarial losses were reclassified to a regulatory balance as described in note 9(c)(ii).

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability are as follows:

	2024	2023
Employee future benefit obligation,		
beginning of year	\$ 14,085,202	\$ 13,373,544
Current service cost	51,306	43,802
Interest costs	537,874	555,953
Benefits paid during the year	(592,562)	(586,926)
Actuarial (gains) losses from remeasurement	(20,858)	698,829
Employee future benefit obligation, end of year	\$ 14,060,962	\$ 14,085,202

Components of net benefit expense recognized are as follows:

	2024	2023
Current service cost	\$ 51,306	\$ 43,802
Interest costs	537,874	555,953
Net benefit expense recognized	\$ 589,180	\$ 599,755

Actuarial gains and losses recognized in other comprehensive income are as follows:

	2024	2023
Cumulative amount at January 1	\$ –	\$ –
Recognized during the year	20,858	(698,829)
Reclassification to regulatory balance	(20,858)	698,829
Cumulative amount at December 31	\$ –	\$ –

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Employee future benefits (continued):

The significant actuarial assumptions used in the valuation are as follows (weighted average):

	2024	2023
Accrued benefit obligation:		
Discount rate	4.65%	4.65%
Assumed health care cost trend rates:		
Initial benefit care cost trend rate	5.10%	4.90%
Initial dental benefit cost trend rate	5.40%	5.10%

The main actuarial assumptions utilized for the valuation are as follows:

- General inflation – future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2.00% in 2024, and thereafter (2023 – 2.00%).
- Discount (interest) rate – the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2024, was 4.65% (2023 – 4.65%).
- Salary levels – future general salary and wage levels were assumed to increase at 2.50% (2023 – 2.31%) up to December 31, 2024, and thereafter.
- Medical costs – medical costs were assumed to be 5.10% for 2024 and increase by 0.20% thereafter.
- Dental costs – dental costs were assumed to be 5.40% for 2024 and increase by 0.20% thereafter.

13. Share capital:

	2024	2023
Authorized:		
Unlimited common shares		
Issued:		
1,001 common shares	\$ 20,848,052	\$ 20,848,052

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

14. Commitments and contingencies:

General:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. On an ongoing basis, the Corporation assesses the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual issue. The provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General liability insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

15. Guarantee:

The Corporation has issued a \$9,048,386 letter of guarantee to the IESO. This was a requirement of the IESO for market opening on May 1, 2002. At December 31, 2024, no amounts have been drawn on this letter of guarantee.

16. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, defined benefit pension plan benefit with equal contributions by the employer and its employees. In 2024, the Corporation made employer contributions of \$1,070,589 to OMERS (2023 - \$1,006,996).

The Corporation estimates that a contribution of \$1,200,910 will be made to OMERS during the next fiscal year.

17. Employee compensation:

	2024	2023
Salaries, wages and benefits	\$ 13,014,167	\$ 12,195,127
Contributions to OMERS	1,070,589	1,006,996
	\$ 14,084,756	\$ 13,202,123

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

18. Related party transactions:

The Corporation subcontracts its billing and collection of revenue, payment of purchases and all related government remittances, information services, accounting, payroll processing, financial reporting and treasury services to Greater Sudbury Hydro Plus Inc./Hydro Plus du Grand Sudbury Inc., a company related by common ownership.

The sole shareholder of the Corporation is Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc., which in turn is wholly-owned by the City of Greater Sudbury. The City produces financial statements that are available for public use.

Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members, and their compensation is summarized below.

	2024	2023
Directors' fees	\$ 71,944	\$ 68,001
Salaries and benefits	1,075,981	990,707
	<u>\$ 1,147,925</u>	<u>\$ 1,058,708</u>

Transactions with parent:

During the year, the Corporation paid promissory note interest to its parent in the amount of \$3,531,660 (2023 - \$3,531,660).

Transactions with ultimate parent, the City of Greater Sudbury ("the City"):

During the year, the Corporation had the following significant transactions with the City, a government entity:

- Electricity for all City owned properties totaling \$6,788,834 (2023 - \$6,654,448).
- The Corporation delivers electricity to the City throughout the year for the electricity needs of the City and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

19. Revenues:

The following table disaggregates revenues by type of customer (in thousands):

	2024	2023
Revenue from contracts with customers:		
Energy sales:		
Residential service	\$ 51,602	\$ 45,754
General service	54,766	51,309
Other	6,072	5,790
	112,440	102,853
Distribution revenue:		
Residential service	17,859	17,047
General service	10,333	9,941
Other	669	707
	28,861	27,695
Revenue from other sources:		
Pole rental	962	880
Other charges	2,614	2,331
	3,576	3,211
	\$ 144,877	\$ 133,759

20. Financial instruments and risk management:

(a) Fair value disclosure:

Cash and cash equivalents and interest rate swap contracts are measured at fair value. Swap contracts are adjusted to fair value by using mark-to-market valuation established by TD Securities, a division of TD Bank Financial Group, as of the close of business on the last business day of the fiscal year. The fair value measurement of the financial instrument for which the fair value has been disclosed is included in Level 2 of the fair value hierarchy [Note 2(c)].

The carrying values of accounts receivables, unbilled revenue, bank indebtedness, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and risk management (continued):

(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 risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable and unbilled revenue, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Greater Sudbury. No single customer accounts for a balance in excess of 6% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for estimated credit losses and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2024 is \$509,952 (2023 - \$483,715). A write-off of \$222,781 (2023 - \$439,769) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2024, approximately \$1,432,581 (2023 - \$1,245,768) is considered 46 days past due. The Corporation has over 47,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2024, the Corporation holds security deposits in the amount of \$1,259,691 (2023 - \$1,609,660).

ii) Derivative instruments:

As detailed in note 11 to the financial statements, the Corporation has entered into a series of interest rate swap contracts totaling \$14,261,343 (2023 - \$8,479,045) and covering 99.9% (2023 - 98.5%) of long-term debt. These interest rate swap contracts were used to convert floating rate debt to fixed rate debt and qualify as cash flow hedges.

iii) Market risk:

Market risk primarily refers to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and risk management (continued):

(b) Financial risks (continued):

iv) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. The credit facility discussed in note 3 is only drawn upon in instances where the combined cash balance of the consolidated Greater Sudbury Utilities group of entities is in a negative position.

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

There has been no change in the liquidity risk noted when compared to 2023.

v) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2024, shareholder's equity amounts to \$63,355,777 (2023 - \$60,013,904) and long-term debt amounts to \$90,592,422 (2023 - \$84,036,812).

21. Accounting standards issued but not yet effective:

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2024 and earlier application is permitted. However, the Corporation has not early adopted the new and amended accounting standards in preparing these financial statements.

(a) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7):

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

GREATER SUDBURY HYDRO INC. / HYDRO DU GRAND SUDBURY INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

21. Accounting standards issued but not yet effective (continued):

- (a) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (continued):

The requirements will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted, and are related to:

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

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

- (b) IFRS 18 Presentation and Disclosures in Financial Statements:

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

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

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Corporation is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Corporation's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Corporation is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

- (c) Other accounting standards:

The Lack of Exchangeability (Amendments to IAS 21) is not expected to have a significant impact on the Corporation's financial statements.

22. Comparative information:

Certain 2023 comparative information has been reclassified to conform with the presentation adopted in 2024.