alectra

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Consolidated Financial Statements
(In millions of Canadian dollars)

ALECTRA INC.

Year ended December 31, 2024

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alectra Inc.

Opinion

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

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2024, and its consolidated financial performance and its consolidated 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Other Information

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

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

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

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

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

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

We have nothing to report in this regard.

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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 7, 2025

ALECTRA INC.
Consolidated Statement of Financial Position
(in millions of Canadian dollars)
as at December 31, 2024 and 2023

	Notes	2024	2023
Assets			
Current assets			
Cash		40	21
Trade and other receivables	18	749	642
Other assets	9	99	87
Total current assets		**888**	**750**
Non-current assets			
Property, plant, and equipment and right of use assets	7	4,647	4,292
Goodwill and other intangible assets	8	1,052	1,026
Deferred tax asset	24	7	4
Other assets	9	17	5
Total non-current assets		**5,723**	**5,327**
Total assets		**6,611**	**6,077**
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and other payables	10	491	503
Customer deposits liability		59	58
Loans and borrowings	12	455	691
Deferred revenue	22	26	22
Lease obligations	17	2	2
Contingent consideration	13	5	—
Other liabilities	14	142	107
Total current liabilities		**1,180**	**1,383**
Non-current liabilities			
Loans and borrowings	12	2,419	1,921
Deferred revenue	22	808	702
Employee future benefits	15	75	75
Lease obligations	17	21	23
Deferred tax liabilities	24	183	146
Contingent consideration	13	4	—
Other liabilities	14	35	26
Total non-current liabilities		**3,545**	**2,893**
Total liabilities		**4,725**	**4,276**
Shareholders' equity			
Share capital	16, 26	978	990
Contributed surplus		599	599
Accumulated other comprehensive income		6	4
Retained earnings		303	208
Total shareholders' equity		**1,886**	**1,801**
Total liabilities and shareholders' equity		**6,611**	**6,077**

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

__________ Chair of the Board

__________ Director

ALECTRA INC.

Consolidated Statement of Income and Comprehensive Income
(in millions of Canadian dollars)
for the years ended December 31, 2024 and 2023

	Notes	2024	2023
Revenue			
Distribution revenue	20	797	716
Electricity sales	20	3,306	3,032
Other revenue	20	266	208
		4,369	**3,956**
Expenses			
Cost of power		3,356	3,055
Operating expenses	21	452	403
Depreciation and amortization	7, 8	208	195
		4,016	**3,653**
Income from operating activities		**353**	**303**
Net finance costs	23	(108)	(96)
Loss on derecognition of property, plant, and equipment and intangible assets		(12)	(6)
Loss on fair value of contingent consideration	13	(4)	—
Share of net loss of joint venture	9	—	(1)
Income before income taxes		**229**	**200**
Income tax expense	24	(62)	(54)
Net income		**167**	**146**
Other comprehensive income (loss)			
Item that may be subsequently reclassified to income			
Reclassification to net income, loss on bond forward		2	2
Items that will not be subsequently reclassified to income			
Remeasurement of defined benefit obligation	15	1	(3)
Tax impact on remeasurement of defined benefit obligation		(1)	—
Total other comprehensive income (loss)		**2**	**(1)**
Total comprehensive income		**169**	**145**

The accompanying notes are an integral part of these consolidated financial statements.

ALECTRA INC.

Consolidated Statement of Changes in Equity
(in millions of Canadian dollars)
for the years ended December 31, 2024 and 2023

	Notes	Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
Balance, January 1, 2023		992	599	5	140	1,736
Net income		—	—	—	146	146
Other comprehensive loss		—	—	(1)	—	(1)
Return of capital	16, 26	(2)	—	—	—	(2)
Dividends paid	16, 26	—	—	—	(78)	(78)
Balance, December 31, 2023		**990**	**599**	**4**	**208**	**1,801**
Net income		—	—	—	167	167
Other comprehensive income		—	—	2	—	2
Return of capital	16, 26	(12)	—	—	10	(2)
Dividends paid	16, 26	—	—	—	(82)	(82)
Balance, December 31, 2024		**978**	**599**	**6**	**303**	**1,886**

The accompanying notes are an integral part of these consolidated financial statements.

ALECTRA INC.

Consolidated Statement of Cash Flows
(in millions of Canadian dollars)
for the years ended December 31, 2024 and 2023

	Notes	2024	2023
Net cash from (used in)			
Operating activities			
Net income		167	146
Adjustments for:			
Depreciation and amortization	7, 8	208	195
Amortization and derecognition of capital contributions	22	(23)	(23)
Loss on derecognition of property, plant, and equipment and intangible assets		12	6
Loss on fair value of contingent consideration		4	—
Share of net loss of joint venture	9	—	1
Income tax expense	24	62	54
Net finance costs	23	108	96
Capital contributions received	22	109	116
Net change in operating working capital	25	(135)	(19)
Net change in non-current assets and liabilities		8	6
Cash generated from operating activities		520	578
Income taxes paid	24	(14)	(21)
Income taxes refunded	24	1	7
Net cash from operating activities		**507**	**564**
Investing activities			
Decrease in restricted cash		—	3
Consideration paid for investment in a business	6	(49)	—
Purchase of investment security	9	—	(2)
Consideration for investment in joint venture	9	(10)	(2)
Purchase of property, plant, and equipment	7	(470)	(467)
Purchase of intangible assets	8	(27)	(29)
Proceeds from disposal of property, plant and equipment		1	3
Proceeds from disposal of intangible assets		—	1
Net cash used in investing activities		**(555)**	**(493)**
Financing activities			
Issuance of short-term debt	26	12,187	11,758
Repayment of short-term debt	26	(12,107)	(11,673)
Repayment of long-term loans and borrowings	26	(316)	—
Issuance of long-term loans and borrowings, net of transaction costs	26	498	—
Repayment of lease obligations	17, 26	(2)	(5)
Interest received	26	8	5
Interest paid	26	(117)	(103)
Return of capital	16, 26	(2)	(2)
Dividends paid	16, 26	(82)	(78)
Net cash from (used in) financing activities		**67**	**(98)**
Net cash inflow (outflow)		**19**	**(27)**
Cash, beginning of year		**21**	**48**
Cash, end of year		**40**	**21**

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of the Business

Alectra Inc. is owned as follows:

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

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

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

AES was incorporated on January 31, 2017 and has two subsidiaries: Alectra Energy Services Inc. ("AESI"); and Alectra Power Services Inc. ("APSI"). AESI has four subsidiaries: Util-Assist Inc. ("UA"); Alectra Microgrid Master Limited Partnership ("AMSP"); Alectra Microgrid Master General Partnership; and Holland Power Services Inc. ("HPSI"). UA has one subsidiary: Util-Assist Corp. HPSI has two subsidiaries: Holland New England ("HNE") and 748953 N.B. Ltd. AESI has a 50% Joint Venture with Convergent Energy and Power through the formation of Alectra Convergent Development LP ("ACD"). On January 1, 2023, HPS Holdings Inc. ("HPS") amalgamated under the provisions of the Business Corporations Act (New Brunswick) with Holland Power Services Inc. to form Holland Power Services Inc. On October 12, 2023, HPSI incorporated a wholly owned subsidiary, 748953 N.B. Ltd. On May 31, 2024, 748953 N.B. Ltd. acquired assets from Gagnon Line Construction Inc. ("GLC"), a private company specialized in providing emergency power restoration services in Eastern Canada and the United States.

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

- AESI - provides wholesale metering and sub-metering services for condominium and commercial properties;
- APSI - provides street lighting services including design, construction, and maintenance;
- HPSI, HNE and 748953 N.B. Ltd. - provide emergency power restoration services to utilities primarily located along the eastern seaboard of the United States and Canada; and industrial electrical services to utilities and industrial clients;
- UA - provides consulting services (with respect to advanced metering systems procurement and implementation; customer information systems procurement and implementation); billing and meter data exception management services; an outage management call centre (PowerAssist); and other smart grid applications and services;

1. Description of the Business (continued)

- AMSP - provides energy management services which includes installing, owning and operating an industrial energy storage battery and gas system with third parties; and
- ACD - provides distributed energy solutions which includes developing, constructing, commissioning, owning, operating and maintaining front-of-the-meter storage system projects in Ontario.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved by the Board of Directors on March 7, 2025.

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

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

These consolidated financial statements are presented in Canadian dollars ("$CAD"), which is the functional currency of the Corporation. These consolidated financial statements have been prepared on a historical cost basis, except for the valuation of employee future benefits, which are recorded at the actuarial present value of the defined benefit obligation, and contingent consideration and investment security which are recorded at fair value. Amounts are rounded to the nearest million, unless otherwise stated.

(c) Use of estimates and judgments

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

Estimates are used predominately in determining the measurement of certain of the Corporation's assets and liabilities. Estimates and underlying assumptions are continually reviewed and are based on factors that are considered to be relevant, such as historical experience and forecast trends. Actual results may differ from these estimates. Revisions of estimates are recognized in the period of revision and prospectively.

The areas which require management to make significant estimates and assumptions are as follows:

- Note 4(b) – valuation of identifiable net assets acquired in a business combination;
- Note 4(c)(ii) – recognition and measurement of unbilled revenue;
- Note 4(d)(i) – measurement of the fair value of the contingent consideration and investment security;
- Note 4(g) and (h) – estimation of the useful lives of property, plant and equipment and finite life intangible assets;
- Note 4(i) – impairment of non-financial assets: key assumptions underlying recoverable amounts; and
- Note 4(k) – measurement of employee future benefits – key actuarial assumptions.

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

2. Basis of Preparation (continued)

(c) Use of estimates and judgments (continued)

The areas which require management to make significant judgments are as follows:

- Note 4(b) – the determination of whether or not an acquisition meets the definition of a business combination;
- Note 4(c)(i) - principal versus agent determination for recording revenue on a gross or net basis;
- Note 4(c)(ii) - deferred revenue: assessment of the performance obligation for contributions from customer;
- Note 4(j) – recognition and measurement of provisions and contingencies, determining whether a present obligation exists and assessing the probability, timing, and amount of any future outflows; and
- Note 4(m) – recognition of deferred tax assets and liabilities.
- Note 4(p) – equity-accounted investees: whether the Corporation has significant influence or joint control over an investee and assessment of impairment indicators;
- Note 4(q) – lease term: determining whether the Corporation is reasonably certain to exercise a lease extension option;

Changes in the economic environment arising from geopolitical events and uncertainty over economic growth could generate, in future periods, a risk of adjustments to the carrying amounts of balances subject to estimates and judgments.

3. Regulation

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

(a) Rate Setting

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

The rate-making policies of the OEB are guided by its statutory objectives under *The Ontario Energy Board Act, 1998 (Ontario)* ("OEBA") that include, among other matters, to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

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

3. Regulation (continued)

(a) Rate Setting (continued)

Price Cap IR

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

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

Custom IR

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

Annual IR

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

(b) Rate Applications

2024 Rate Application

On July 21, 2023, Alectra Utilities filed an ICM application for the approval of 2024 incremental capital funding for urgent underground cable renewal investments in the PowerStream and Enersource rate zones, effective January 1, 2024. On February 13, 2024, the OEB issued its Decision and Order on the ICM application, approving $17 of Alectra Utilities' $25 ICM capital request. For the 2024 rate year, the OEB approved recovery of the incremental revenue requirement, approved as part of the Decision, over a 10-month period from March 1, 2024, to December 31, 2024, and over a 12-month period in the subsequent rate years.

On August 17, 2023, Alectra Utilities filed an application for all five predecessor utility rate zones for the approval of 2024 electricity distribution rates, effective January 1, 2024. On December 14, 2023, the OEB issued its Decision and Rate Order on the Price Cap IR application, approving a 4.5% rate adjustment to distribution rates effective January 1, 2024 and providing for disposition of deferral and variance account balances.

4. Material Accounting Policies

The following material accounting policies used in the preparation of these consolidated financial statements, have been applied consistently to all periods presented herein;

(a) Basis of consolidation

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

(b) Business combinations

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

During the measurement period (within one year of the acquisition date), the Corporation may, on a retrospective basis, adjust the amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

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

(c) Revenue from contracts with customers

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

The following provides a summary of the nature of the various performance obligations within contracts with customers and when performance is recognized on those obligations:

(i) Distribution revenue and electricity sales

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

4. Material Accounting Policies (continued)

(c) Revenue from contracts with customers (continued)

(i) Distribution revenue and electricity sales (continued)

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

(ii) Other revenue

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

- Revenue from renewable generation sources is recognized in the period in which electricity is generated and delivered, based on regular meter readings, and is measured at the fair value of the consideration received or receivable, net of sales tax.
- Capital contributions received from electricity customers and developers to construct or acquire property, plant, and equipment for the purpose of connecting a customer to a network are recorded as deferred revenue. The deferred revenue is initially recorded at fair value of the capital contribution and amortized to other revenue on a straight-line basis over the estimated economic lives of the assets to which the contribution relates. Contributions received from customers to construct or acquire fixed assets to deliver services other than those related to delivery of electricity are recorded as deferred revenue and amortized to other revenue over the term of the contract with the customer.
- Sub-metering revenue is primarily comprised of management fees billed for sub-metering services related to the consumption of electricity and water in individual units within multi-residential and commercial buildings. Revenue is recognized monthly over the term of corresponding service agreements as the services are provided to the customer. AESI has determined that it is acting as an agent for its meter billing service and, as such, the revenue is recognized on a net basis.
- Revenue from consulting services is recognized using a time and materials basis which is measured monthly based on input measures, such as hours incurred to date, with consideration given to output measures, such as contract milestones when applicable. Certain service revenues, such as upfront conversion revenue, are recognized at a point in time.
- Revenue from power restoration services provided to utilities during storm events and industrial services including installation, maintenance and repairs to power infrastructure utilities and industrial clients is recognized as services are rendered.
- Revenue is recognized as services are rendered where ancillary to: the electricity distribution; delivery of street lighting services; water billing; and pole and duct rentals.

4. Material Accounting Policies (continued)

(c) Revenue from contracts with customers (continued)

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

(d) Financial instruments

Financial assets and liabilities include cash, investment security, trade and other receivables, trade and other payables, customer deposits liability, contingent consideration, and loans and borrowings. All financial assets and liabilities, except trade and other receivables, are initially recognized at fair value plus transaction costs. Trade and other receivables balances are initially recognized at the transaction price. Financial assets and liabilities, except for investment security and contingent consideration, are subsequently measured at amortized cost using the effective interest rate method, less any applicable impairment. Interest income is calculated using the effective interest rate method and is recognized in the Consolidated Statement of Income and Comprehensive Income. Investment security and contingent consideration are subsequently measured at fair value and changes in fair value are recognized in the Consolidated Statement of Income and Comprehensive Income. The fair value measurement of investment security and contingent consideration is categorized as Level 2.

(i) Financial instruments at fair value

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

- Level 1: inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the liabilities that are not based on observable market data (unobservable inputs).

Fair value inputs are taken from observable markets where possible. In the absence of an active market, the Corporation estimates fair value by using valuation techniques that refer to observable market data or estimated market prices. In making such estimates, the Corporation gives the highest priority to unadjusted quoted prices in active markets for similar assets or liabilities (Level 2) and the lowest priority to unobservable inputs (Level 3), as applicable. Fair values estimated using generally accepted pricing models are based on discounted cash flow analysis, with the most significant inputs being the contractual terms of the instrument and the market discount rates that reflect the credit risk of counterparties.

(ii) Impairment of financial assets

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

4. Material Accounting Policies (continued)

(d) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

The measurement of ECL for trade receivables is based on management's estimates and assumptions. ECL is determined using a provision matrix based on historical observed default rates and incorporated macroeconomic factors such as GDP growth forecast, inflation rates, unemployment rates, and customer-specific assessments. Trade receivables are written-off against the allowance when they are deemed uncollectible.

(e) Cash

Cash includes cash in bank accounts. On the consolidated statements of cash flows, cash (working capital balances) include bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management.

(f) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted-moving average basis and includes expenditures incurred in acquiring the inventories and other costs to bring the inventories to their existing location and condition.

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

Land is measured at cost. PP&E (other than land) is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and includes contracted services, cost of materials, directly attributable overhead, direct labour, pension and other benefit costs, and borrowing costs incurred in respect of qualifying assets constructed.

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

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

Depreciation of PP&E is recognized on a straight-line basis over the useful life of each item. Depreciation on these assets commences when such assets are ready for their intended use.

The assessment of the useful lives of PP&E is based on management's judgment and are reviewed at each financial year-end and adjusted prospectively. When components of an item of PP&E have different useful lives, each component is recorded separately within PP&E and depreciated over each component's useful life. These assets are classified to the appropriate categories of PP&E when completed and ready for intended use.

The method of depreciation and estimated useful lives for each category of PP&E are as follows:

Buildings	Straight-line	10 to 60 years
Distribution assets	Straight-line	10 to 70 years
Other assets	Straight-line	2 to 50 years

4. Material Accounting Policies (continued)

(h) Goodwill and other intangible assets

Intangible assets include goodwill; land rights; brands; computer software; contributions; and other intangible assets. Other intangible assets include: work in progress; customer relationships; and non-compete agreements.

Goodwill arising on the acquisition of subsidiaries or on amalgamation represents the excess of the purchase price over the fair value assigned to the Corporation's interest of the net identifiable assets acquired. Goodwill is measured at cost less accumulated impairment losses. Goodwill has been assessed as having an indefinite useful life as it cannot exist independently of the business, nor it can be sold or transferred separately.

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

Brands, excluding brand licensing agreement, have been assessed as having an indefinite useful life, as there is no foreseeable limit to the cash flows generated by the brands.

Computer software, contributions, customer relationships, and other intangible assets are measured at cost less accumulated amortization and any applicable impairment losses. Amortization begins when the asset is available for use and is measured on a straight-line basis.

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

Other includes a brand licensing agreement and acquired non-compete agreements. These agreements are recorded at fair value at the date of acquisition and are subsequently measured at cost less accumulated amortization and any applicable impairment losses. Amortization is charged on a straight-line basis over the life of the asset.

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

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

The useful lives of intangible assets are assessed based on management's judgment and are reviewed at each financial year-end and adjusted prospectively.

4. Material Accounting Policies (continued)

(h) Goodwill and other intangible assets (continued)

The useful lives and amortization methods are as follows:

Goodwill	Not amortized	Indefinite
Land rights	Not amortized	Indefinite
Brands	Not amortized	Indefinite
Computer software	Straight-line	3 to 10 years
Contributions	Straight-line	10 to 70 years
Other	Straight-line	2 to 35 years

(i) Impairment of non-financial assets

For the purpose of impairment testing, the Corporation uses judgment to group its assets into the smallest group that generates cash inflows that are largely independent of those from other assets or cash generating units ("CGUs"). Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate that the recoverable amount of an asset or CGU may be below its carrying value. The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs of disposal. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU, a suitable discount rate in order to calculate a present value as a basis for determining impairment and an estimated terminal value calculated by discounting the final year in perpetuity. Fair value less costs of disposal is determined based on observable market inputs and categorized as level 2 for fair value measurement. Property, plant and equipment and intangible assets with finite lives are tested for impairment when management determines indicators of impairment exist. Significant judgment is involved in determining the inputs used for determining the recoverable amount of CGUs.

Impairment losses are recognized if the carrying amount of an asset or CGU exceeds its recoverable amount, and are recognized in net income. Impairment losses relating to CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

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

(j) Provisions and contingencies

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

4. Material Accounting Policies (continued)

(j) Provisions and contingencies (continued)

Decommissioning provisions are liabilities recognized in the consolidated financial statements for the future costs associated with dismantling and removing assets, and restoring the site to its original condition. The estimated future cash flows of the site restoration costs are risk adjusted and discounted using a pre-tax, risk-free rate that reflects the time value of money. The associated site restoration costs are capitalized as part of the carrying amount of the asset and then amortized over its useful life. Changes due to revision of discount rates, the timing, or the amount of the original estimate of the provision are reflected on a prospective basis by adjusting the carrying amount of the related asset. In the event the amounts resulting from the changes in estimates exceed the carrying amount of the related asset, the excess amount is recognized immediately in Consolidated Statement of Income and Comprehensive Income.

Contingencies are disclosed unless the possibility of an outflow of economic benefits is remote.

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

(k) Employee future benefits

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

(i) Multi-employer defined benefit pension plan

The Corporation provides a pension plan for the majority of its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund.

As OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan as a defined benefit plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

(ii) Non-pension defined benefit plans

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

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

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4. Material Accounting Policies (continued)

(k) Employee future benefits (continued)

(ii) Non-pension defined benefit plans (continued)

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

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

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

The measurement date used to determine the present value of the benefit obligation is December 31 of the applicable year. The latest full actuarial valuation was performed as at December 31, 2022.

(l) Customer deposits liability

Customer deposit liability is comprised of cash collections from customers as security for the payment of energy bills and water bills. Deposits held in respect of commercial customers are applied against any unpaid portion of individual customer accounts. Customer deposit liability in excess of unpaid account balances is refundable to individual customers upon termination of their electricity distribution service. These customer deposits are classified as a current liability as they are refundable on demand once a customer establishes a good payment history in accordance with the policies of the Corporation. This liability includes related interest amounts owed to the customers with a corresponding amount charged to finance costs.

(m) Income taxes

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

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

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

4. Material Accounting Policies (continued)

(m) Income taxes (continued)

Current PILs is the expected amount of cash taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

Deferred tax expense is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the anticipated reversal date.

(n) Finance income and costs

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

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

(o) Advance payments

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

4. Material Accounting Policies (continued)

(p) *Investment in joint venture*

A joint venture is a type of joint arrangement whereby, the entities that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the entities sharing control. Judgment is required when assessing the classification of a joint arrangement as a joint venture. When making this assessment, the Corporation considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements, and other facts and circumstances.

The investment in joint venture is accounted for using the equity method. Such investment is recognized initially at cost, which includes the purchase price and other costs directly attributable to the purchase. Subsequent to initial recognition, the consolidated financial statements include the Corporation's share of the profit or loss and other comprehensive income of equity accounted investee, until the date on which significant influence or joint control ceases. If there is a loss of significant influence or joint control and the investment ceases to be a joint venture, equity accounting is discontinued from the date of loss of significant influence or joint control.

(q) *Leases*

At the inception of a contract, an assessment is made to determine if the contract is, or contains, a lease based on the right to control the asset and the receipt of substantially all the benefits from the use of the identifiable asset.

A lease obligation is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined then by using the Corporation's incremental borrowing rate. The lease obligation is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments or a lease modification. A corresponding adjustment is made to the carrying amount of the right of use asset ("RoU") or is recorded in the Consolidated Statement of Income and Comprehensive Income if the carrying amount of the RoU has been reduced to zero.

The Corporation, depending upon the nature of the lease agreement, includes the following in the lease payments: fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate; and penalties for lease termination if the Corporation plans to exercise the termination option. The Corporation assesses extension options based on available information at the lease commencement date. Subsequently, if there is a change in circumstances within its control, the Corporation will then reassess the extension option to determine whether there is an economic incentive to exercise the option. Such an assessment is subject to management's judgment. The Corporation allocates the consideration in the contract to each lease component based on their relative stand-alone prices

The Corporation recognizes a RoU at the lease commencement date. The RoU is initially measured at cost which is the initial measurement of the lease obligation plus any lease payments made at or before the commencement date. The RoU is depreciated using the straight-line method over the shorter of the lease term and the estimated remaining useful life of the asset. The RoU is subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for certain remeasurements of the lease obligation.

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

5. Future Accounting Changes

The amendments have been published by the International Accounting Standards Board but are not effective as at December 31, 2024, and have not been adopted in these consolidated financial statements: The Corporation is assessing the impact of implementation of these Standards on its consolidated financial statements. The Corporation does not plan to early adopt these standards.

Effective Date: Reporting periods beginning on or after January 1, 2027

(a) Presentation and Disclosure in Financial Statements (IFRS 18)

During the year, the IASB published a new IFRS accounting standard, IFRS 18 - *Presentation and Disclosure in Financial Statements*, to replace IAS 1, *Presentation of Financial Statements*, and will amend IAS 7, *Statement of Cash Flows*. The primary objective of IFRS 18 is to improve the assessment of an entity's performance by increasing comparability in presentation. Changes include: introducing a defined structure for the presentation of the Consolidated Statement of Income and Comprehensive Income, including required totals and sub-totals, management-defined performance measures, enhanced requirements for grouping (aggregation and disaggregation) of information, and disclosure of specific expenses by nature.

(b) Subsidiaries without Public Accountability: Disclosures (IFRS 19)

IFRS 19, allows eligible subsidiaries to apply reduced disclosure requirements in its consolidated, separate or individual financial statements. This new standard aims to simplify and reduce the cost of financial reporting for subsidiaries while maintaining the usefulness of their financial statements.

6. Business Combination

On May 31, 2024 ("Closing Date"), 748953 N.B. Ltd. acquired assets from GLC, a private company specialized in providing emergency power restoration services in Eastern Canada and the United States. The acquisition was recognized as a business combination in accordance with IFRS 3 - *Business Combinations.* The acquisition supports the strategic growth objectives of the Corporation.

The consolidated financial statements include the fair value of identifiable net assets as at the Closing Date. Goodwill arising from the acquisition of $14 relates to the expected growth, cost synergies and the value of the acquiree's workforce which cannot be separately recognized. Goodwill is not deductible for income tax purposes.

The total consideration for the acquired assets comprises:

(i) an initial payment of $45 to the vendor on the Closing Date (“Fixed Purchase Price”);
(ii) working capital adjustment of $4 to the vendor in consideration of actual working capital as at the Closing Date in excess of an assumed level of working capital underlying the total consideration; and
(iii) additional contingent payments, if any, based on meeting annual revenue targets of 748953 N.B. Ltd for the years ending 2024, 2025, and 2026. Refer to note 13 for details.

6. Business Combination (continued)

The assets acquired were valued based on discounted expected future cash flows using market risk adjusted rates of return. The following table summarizes the recognized amounts of assets acquired at the date of acquisition:

	Notes	
Trade and other receivables		7
Inventories		2
Property, plant, and equipment	7	9
Intangible assets	8	22
Fair value of identifiable net assets acquired		40
Goodwill	8	14
Total assets recognized		54
Represented by		
Fixed purchase price		45
Working capital adjustment		4
Cash consideration		49
Contingent consideration payable	13	5
Total consideration		54

For the seven months ended December 31, 2024, 748953 N.B. Ltd contributed revenue of $25 and net income of $1 to the Corporation's results.

7. Property, Plant, and Equipment and Right of Use Assets

		Property, Plant and Equipment					RoU	
	Note	Land and buildings	Distribution assets	Other assets	Work in progress	Sub-Total	RoU assets	Total
Cost								
Balance at January 1, 2023		211	4,207	317	204	4,939	38	4,977
Additions		—	—	2	492	494	1	495
Transfers into service		124	384	22	(530)	—	—	—
Disposals, write-offs		—	(12)	(11)	—	(23)	(8)	(31)
Balance at December 31, 2023		335	4,579	330	166	5,410	31	5,441
Additions through acquisition	6	5	—	4	—	9	—	9
Additions		—	—	44	492	536	2	538
Transfers into service		11	440	29	(480)	—	—	—
Disposals, write-offs		—	(20)	(12)	—	(32)	(1)	(33)
Balance at December 31, 2024		351	4,999	395	178	5,923	32	5,955
Accumulated depreciation								
Balance at January 1, 2023		35	818	132	—	985	15	1,000
Depreciation		6	136	25	—	167	5	172
Disposals, write-offs		—	(4)	(11)	—	(15)	(8)	(23)
Balance at December 31, 2023		41	950	146	—	1,137	12	1,149
Depreciation		7	143	27	—	177	2	179
Disposals, write-offs		—	(7)	(13)	—	(20)	—	(20)
Balance at December 31, 2024		48	1,086	160	—	1,294	14	1,308
Net book value								
December 31, 2023		294	3,629	184	166	4,273	19	4,292
December 31, 2024		303	3,913	235	178	4,629	18	4,647

Other assets include solar panels, meters, vehicles, furniture and equipment, behind-the-meter distributed energy generation resources, computer equipment, and leasehold improvements.

RoU assets represent the Corporation's right to use buildings and roof tops over the duration of the lease term.

During the year, borrowing costs of $3 (2023 - $7) were capitalized as part of the cost of property plant & equipment and intangible assets. An average capitalization rate of 4.27% (2023 - 4.36%) was used to determine the amount of borrowing costs to be capitalized with respect to the Corporation. Refer to Note 23.

7. Property, Plant, and Equipment and Right of Use Assets (continued)

Reconciliation between the amounts presented on the Consolidated Statement of Cash Flows and additions to property, plant and equipment:

	Note	2024	2023
Purchase of property, plant and equipment, cash basis		470	467
Non-cash asset contributions	22	13	16
Depreciation expense capitalized		6	6
Holdback payable/accruals		47	5
Additions to property, plant and equipment		536	494

Reconciliation between depreciation and amortization amounts included in continuity tables of Note 7 and 8 and the amounts presented on the Consolidated Statement of Income and Comprehensive Income:

	Notes	2024	2023
Depreciation	7	179	172
Amortization	8	35	29
Depreciation capitalized		(6)	(6)
Depreciation and amortization per Consolidated Statement of Income and Comprehensive Income		208	195

8. Goodwill and Other Intangible Assets

(a) Goodwill and other intangible assets

	Note	Goodwill	Land rights	Computer software	Contributions	Work in progress	Other assets	Total
Cost or deemed cost								
Balance at January 1, 2023		777	4	175	97	33	60	1,146
Additions		—	—	—	—	27	—	27
Transfers into service		—	—	27	—	(34)	7	—
Disposals, write-offs		—	—	(5)	—	(5)	—	(10)
Balance at December 31, 2023		777	4	197	97	21	67	1,163
Additions through acquisition	6	14	—	—	—	—	22	36
Additions		—	—	—	—	25	—	25
Transfers into service		—	—	27	—	(31)	4	—
Disposals, write-offs		—	—	(1)	—	—	(2)	(3)
Balance at December 31, 2024		791	4	223	97	15	91	1,221
Accumulated amortization								
Balance at January 1, 2023		—	—	75	23	—	14	112
Amortization		—	—	21	3	—	5	29
Disposals, write-offs		—	—	(4)	—	—	—	(4)
Balance at December 31, 2023		—	—	92	26	—	19	137
Amortization		—	—	26	3	—	6	35
Disposals, write-offs		—	—	(1)	—	—	(2)	(3)
Balance at December 31, 2024		—	—	117	29	—	23	169
Net book value								
December 31, 2023		777	4	105	71	21	48	1,026
December 31, 2024		791	4	106	68	15	68	1,052

Other assets include customer relationships, brands, brand licensing agreement and non-compete agreements.

Borrowing costs capitalized in intangible assets and property plant & equipment during the year is included in Note 7 and 23.

8. Goodwill and Other Intangible Assets (continued)

(a) Goodwill and other intangible assets (continued)

Reconciliation between the amounts presented on the Consolidated Statement of Cash Flows and additions to intangible assets:

	2024	2023
Purchase of intangible assets, cash basis	27	29
Accruals	(2)	(2)
Additions to intangible assets	25	27

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

Goodwill with a carrying amount of $791 (2023 - $777), brands with a carrying amount of $2 (2023 - $2) and land rights with a carrying amount of $4 (2023 - $4) have been allocated to the Corporation's CGUs as follows:

	Goodwill		Land rights		Brands	
	2024	2023	2024	2023	2024	2023
AUC	755	755	4	4	—	—
HPS	16	16	—	—	2	2
748953 N.B. Ltd	14	—	—	—	—	—
UA	6	6	—	—	—	—

The Corporation tested goodwill, land rights and brands for impairment as at September 30, 2024, and September 30, 2023. The impairment test was performed by considering the latest developments and economic conditions. The recoverable amount of goodwill, brands and land rights determined in the analysis for both years was greater than the carrying value and no impairment was recorded.

The recoverable amount is based on the value-in-use. The value-in-use calculations use cash flow projections based on financial plan and extrapolated cash flows using a terminal growth value for AUC and estimated growth rates for other CGUs.

The key assumptions used in the value-in-use calculations include forecast earnings before interest, taxes, depreciation, and amortization ("EBITDA"), weighted average cost of capital ("WACC") and a terminal growth value.

The rate base multiple, terminal growth rate and WACC rate used for each CGU are as follows:

	Rate base multiple, Terminal growth rate		WACC rate	
	2024	2023	2024	2023
AUC	1.3x	3.00%	4.92%	5.16%
HPS	2.50%	2.50%	12.87%	14.23%
748953 N.B. Ltd	2.00%	N/A	12.87%	N/A
UA	3.00%	3.00%	20.81%	21.22%

8. Goodwill and Other Intangible Assets (continued)

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

Forecast EBITDA is based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth and cost savings. Revenue growth is projected based on the average growth rate, the estimated sales volume and expected price increases for the next seven years. WACC is based on market and equity risk factors for comparable companies. The terminal growth value is projected using a rate base multiple of 1.3x. In the prior year a percentage growth rate of 3% was used to determine the terminal value. During the year, a rate base multiple was used to calculate AUC's terminal value as the rate base multiple incorporates the future capital expenditures and cost recoveries in the calculations and are not included in the period of forecasted EBITDA.

Management is not aware of any changes to the key assumptions that would cause the CGUs' carrying amounts to exceed the recoverable amounts.

9. Other Assets

	2024	2023
Current		
Inventories	75	61
Prepaid expenses	18	18
Other receivable	6	8
	99	87
Non-current		
Investment in joint venture	11	1
Prepaid expenses	4	2
Investment security	2	2
	17	5

Inventories consist of parts and supplies acquired for internal construction or consumption.

Investment security relates to the Corporation's ownership share in Global Strategic Mobility Fund LP. with a total capital commitment of $8 USD over a 10-year period. As at December 31, 2024, the Corporation's ownership share in the fund was 13% (2023 - 15%).

10. Trade and Other Payables

	Note	2024	2023
Trade payables - energy purchases		259	234
Accrued liabilities		78	118
Due to related parties	11	58	54
Trade payables - other		46	47
Customer receivables in credit balances		29	30
Interest payable		21	20
		491	503

11. Related Party Balances and Transactions

(a) Balances and transactions with related parties

Services provided to related parties include electricity distribution, street lighting, road projects, and water and sewage billing. Expenses incurred include municipal taxes and facilities rental.

These transactions are summarized in the table below:

	2024			
	Revenue/ Deferred Revenue	Expenses	Due from related parties	Due to related parties
City of Barrie	8	—	2	—
City of Guelph	12	—	—	7
City of Hamilton	37	1	5	26
City of Markham	9	1	2	11
City of Mississauga	23	1	4	—
City of St. Catharines	5	—	1	—
City of Vaughan	10	1	4	14
Eastern Ontario Lease Parking Inc.	—	1	—	—
Gagnon Construction Inc.	—	1	—	—
	104	6	18	58

	2023			
	Revenue/ Deferred Revenue	Expenses	Due from related parties	Due to related parties
City of Barrie	7	—	2	—
City of Guelph	11	—	1	7
City of Hamilton	33	1	2	24
City of Markham	9	1	2	11
City of Mississauga	19	3	3	—
City of St. Catharines	5	—	1	—
City of Vaughan	8	1	1	12
	92	6	12	54

The corporation has lease agreements with the City of Hamilton, City of Barrie and City of Markham that are included in RoU assets. Refer to Note 7.

Refer to Note 12 for related party loans and borrowings.

The Corporation paid dividends to shareholders during the year. Refer to Note 16.

11. Related Party Balances and Transactions (continued)

(b) Key management personnel compensation

Key management personnel includes individuals who are directly or indirectly responsible for planning, directing and controlling the activities of the Corporation. Annual compensation of key management personnel that is directly attributable to the Corporation is as follows:

	2024	2023
Salaries and current employment benefits	17	16
Employee future benefits	2	1
	19	17

12. Loans and Borrowings

	2024	2023
Total loans and borrowings	2,874	2,612
Less:		
Short-term debt	455	375
Current portion of long term-debt	—	316
Current portion of loans and borrowings	455	691
Non-current portion of loans and borrowings	2,419	1,921

(a) Short-term debt

The Corporation meets its short-term liquidity requirements through the issuance of commercial paper ("CP") and the use of committed and uncommitted credit facilities.

The CP program has a maximum authorized amount of $900 (2023 - $700) and is supported by the Corporation’s $900 (2023 - $700) committed credit facility with $100 expansion option subject to mutual agreement between the Corporation and its lenders. CPs are issued with varying maturities of less than one year and bear interest based on the prevailing market conditions at the time of issuance. CP issuance at December 31, 2024, was $455 (2023 - $375).

For the year ended December 31, 2024, the average annual outstanding borrowings under the Corporation's committed revolving credit facility and uncommitted credit facility was $498 (2023 - $348) with a weighted average interest rate of 4.68% (2023 - 4.92%). Refer to Note 18(b)(iii).

12. Loans and Borrowings (continued)

(b) Long-term debt

	2024	2023
Debentures[1]		
3.239% Debentures due 2024	—	150
2.488% Debentures due 2027	675	675
5.264% Debentures due 2030	65	65
1.751% Debentures due 2031	300	300
4.627% Debentures due 2034	200	—
4.309% Debentures due 2034	300	—
5.297% Debentures due 2041	210	210
3.958% Debentures due 2042	200	200
4.121% Debentures due 2045	30	30
3.458% Debentures due 2049	200	200
5.225% Debentures due 2052	250	250
Less: unamortized transaction costs	(11)	(9)
	2,419	2,071
Promissory notes from related parties		
4.410% Promissory note issued to the City of Vaughan	—	78
4.410% Promissory note issued to the City of Markham	—	68
4.410% Promissory note issued to the City of Barrie	—	20
	—	166
Total long-term debt	2,419	2,237
Less: Current portion of long-term debt	—	316
Non-current portion of loans and borrowings	2,419	1,921

All interest rates are per annum.
[1]Debentures issued are senior unsecured debentures.

The debentures rank pari passu with all the Corporation's other senior unsubordinated and unsecured obligations. Interest on these debentures was $80 (2023 - $74).

The 3.239% debenture payable in 2024 was repaid during the year.

On June 13, 2024, the Corporation issued a 4.627% senior unsecured debenture for $200 maturing in 2034 and incurred a debt issuance cost of $1.

On October 30, 2024, the Corporation issued a 4.309% senior unsecured debenture for $300 maturing in 2034 and incurred a debt issuance cost of $2.

The debentures are subject to a financial covenant. The covenant requires that neither the Corporation nor any designated subsidiary may incur any funded obligation (other than non-recourse debt and intercompany indebtedness) unless the aggregate principal amount of the consolidated funded obligations does not exceed 75% of the total consolidated capitalization. The Corporation was in compliance with the covenant at December 31, 2024, and 2023.

12. Loans and Borrowings (continued)

(b) Long-term debt (continued)

The three promissory notes payable to the City of Vaughan, the City of Markham and the City of Barrie were repaid on May 31, 2024. Interest expense on these promissory notes was $3 (2023 - $7).

The table below summarizes principal repayments on long-term debt due in the next five years and thereafter as at December 31, 2024.

2027	675
Thereafter	1,755
	2,430

13. Contingent Consideration

Contingent consideration relates to earnout payments relating to the acquisition of assets from GLC, and is dependent on exceeding pre-determined revenue levels for the years ending December 31, 2024, 2025 and 2026.

The fair value of the contingent consideration recognized on the acquisition date was determined using the Monte Carlo Simulation approach for estimating revenue. The distribution of revenue was determined to follow the Geometric Brownian Motion model. The fair value of the contingent consideration is based on estimation of future revenue using historical information, relevant market variables and the payment date outlined in the asset acquisition agreement. The change in the fair value of contingent consideration from the closing date is recognized in the Consolidated Statement of Income and Comprehensive Income.

	Note	
Initial recognition upon acquisition on May 31, 2024	6	5
Increase in fair value		4
Balance, December 31, 2024		9
Less: Current portion of contingent consideration		5
Non-current portion of contingent consideration		4

14. Other Liabilities

	2024	2023
Current		
Advance payments	94	99
Holdback payable	35	6
Income tax payable	10	1
Other	3	1
	142	107
Non-current		
Expansion deposits	30	25
Decommissioning provision	4	—
Other	1	1
	35	26

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

Expansion deposits represent security deposits received from customers, which are expected to be returned to the customer upon project completion.

The decommissioning provision mainly relates to the Corporation's obligation to restore leased rooftops upon expiration or termination of the lease. The timing of restoration work is expected to range from 2031 and 2036 based on the contract terms.

15. Employee Future Benefits

(a) Multi-employer defined benefit pension plan

The Corporation provides a pension plan for its employees, except those in UA and HPSI, through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the Corporation and its employees. During the year ended December 31, 2024, the Corporation made employer contributions of $20 (2023 - $19) to OMERS. These contributions have been recognized as an expense net of the amount capitalized in assets. The expected payment for 2025 is $24.

As at December 31, 2023, and subject to the estimates, assumptions and valuations of OMERS, the plan obligations are 97% (2022 - 95%) funded by its assets. OMERS has a strategy to return the plan to a fully funded position. The Corporation is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

(b) Non-pension defined benefit plans

The Corporation, excluding UA and HPSI, provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through group defined benefit plans. There are four defined benefit plans. Independent actuarial valuations of the plans were performed as at December 31, 2023. The group defined benefit plans as a whole provide benefits to eligible retirees of the Corporation.

15. Employee Future Benefits (continued)

(b) Non-pension defined benefit plans (continued)

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

	2024	2023
Defined benefit obligation at January 1	75	71
Benefit cost recognized in net income:		
Current service costs	1	1
Interest expense	3	3
Benefit cost recognized in net income	4	4
Amounts recognized in other comprehensive income:		
Remeasurement of defined benefit obligation	(1)	3
Amounts recognized in other comprehensive income	(1)	3
Payments from the plans	(3)	(3)
Defined benefit obligation at December 31	75	75

The main actuarial assumptions underlying the valuation are as follows:

	2024	2023
Discount rate	4.70 %	4.60 %
Medical benefits costs escalation	5.10 %	4.90 %
Dental benefits costs escalation	5.40 %	5.10 %

(c) Sensitivity analysis

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

	2024	2023
Discount rate		
1% increase	(9)	(9)
1% decrease	11	11
Medical and dental benefits costs escalation		
1% increase	9	9
1% decrease	(7)	(7)

16. Share Capital

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

	2024		2023	
	Number of Shares	Amount	Number of Shares	Amount
Authorized				
Unlimited Class A through G common shares				
Issued and outstanding				
Class A common shares	2,149,000	206	2,149,000	206
Class B common shares	1,573,000	146	1,573,000	146
Class C common shares	878,000	74	878,000	74
Class D common shares	3,100,000	361	3,100,000	361
Class E common shares	1,815,000	91	1,815,000	91
Class F common shares	485,000	32	485,000	32
Class G common shares	485,000	43	485,000	43
Total common shares	10,485,000	953	10,485,000	953
Authorized				
Unlimited Class S shares				
Issued and paid				
Class S shares	99,999	25	99,999	37
Total Class S shares	99,999	25	99,999	37
Total share capital	10,584,999	978	10,584,999	990

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

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

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

During the year, the Board of Directors approved a return of capital to the Class S shareholders in the amount of $2 (2023 - $2) in accordance with the Alectra Dividend Policy incorporated as Schedule C to its Unanimous Shareholders' Agreement.

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

16. Share Capital (continued)

During the year, the Corporation declared and paid dividends as follows:

- Common share dividends aggregating $81 or $7.70 per share (2023 - $76 or $7.31 per share); and
- Class S share dividends aggregating $1 or $14.72 per share (2023 - $2 or $15.04 per share).

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

Subsequent to the year end, on March 7, 2025, the Corporation declared a dividend in the amount of $36 and $1, payable to common shareholders and Class S shareholders, respectively. The Corporation has also declared a return of capital in the amount of $1, payable to Class S shareholders.

17. Lease Obligations

The Corporation leases assets including properties for its various offices and operation centre, building rooftops for installing and operating solar panels projects, vehicles, and equipment. Property leases which include both land and building elements, of which the land portion does not qualify as a lease is not included in the lease liability. The Corporation expensed the land portion of the operations centre lease.

The Corporation has different lease terms and bargain purchase options at the end of lease term for different property leases. The Corporation has assessed that it is not likely to exercise the purchase options. For property and building rooftop leases that includes extension options, the Corporation has assessed that it is not likely to exercise these options and is not included in the lease liability.

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

The contractual undiscounted cash flows for lease obligations are as follows:

	2024	2023
Less than one year	4	4
Between one and five years	12	13
More than five years	13	16
Total undiscounted lease obligations	29	33

	2024	2023
Amounts recognized in the Consolidated Statement of Income and Comprehensive Income		
Interest on lease obligations	1	1
Variable lease payments and non-lease components not included in the measurement of lease obligations	1	1

17. Lease Obligations (continued)

	2024	2023
Amounts recognized in the Consolidated Statement of Cash Flows		
Payments for the principal portion included within financing activities	2	5
Payments for the interest portion included within financing activities	1	1
Variable lease payments included within operating activities	1	1
Total cash outflow for leases	4	7

18. Financial Instruments and Risk Management

(a) Fair value of financial instruments

The carrying amount of cash, trade and other receivables, customer deposits, trade and other payables, short-term debt and current portion of long-term debt approximates fair value because of the short maturity of these instruments.

		2024		2023	
	Maturity Date	Carrying Value[1]	Fair Value[2]	Carrying Value[1]	Fair Value[2]
Loans and borrowings					
Debentures issued in 2010	2030	65	70	65	69
Debentures issued in 2011	2041	210	229	210	229
Debentures issued in 2012	2042	200	186	200	186
Debentures issued in 2015	2045	30	28	30	28
Debentures issued in 2017	2027	675	662	675	640
Debentures issued in 2019	2049	200	169	200	170
Debentures issued in 2021	2031	300	268	300	256
Debentures issued in 2022	2052	250	277	250	283
Debentures issued in 2024	2034	200	209	—	—
Debentures issued in 2024	2034	300	304	—	—
Total loans and borrowings - long-term portion		2,430	2,402	1,930	1,861
Less: unamortized transaction costs		(11)	—	(9)	—
		2,419	2,402	1,921	1,861

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

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

18. Financial Instruments and Risk Management (continued)

(b) Financial risks

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

(i) Credit risk

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

The carrying amount of trade and other receivables is reduced, to the extent deemed necessary by management's judgment, through the use of ECL with the amount of such during the year recognized in net income. Subsequent recoveries of trade and other receivables previously recorded as impaired are credited to net income.

The Corporation considers current economic and credit conditions to determine the ECL allowance of its trade and other receivable balances. During the years ended December 31, 2024, and 2023 management revised the estimates and judgments used in the preparation of the ECL allowance on its trade and other receivable balances, which were subject to a higher degree of estimation uncertainty. This includes disaggregating the customer base into commercial and residential customers and applying provision rates based on recent and evolving trends for customer collections and current and forecasted economic and other conditions. The Corporation has further segmented customers that are at a higher risk of payment default and have applied higher provision rates to their aged balances.

As at December 31, 2024, and 2023, there was no significant concentration of credit risk with respect to any financial assets.

Trade and other receivables and respective aging are as follows:

	Note	2024	2023
Trade receivables		441	360
Unbilled revenue		307	292
Due from related parties	11	18	12
Other		13	12
		779	676
Less: expected credit losses		(30)	(34)
Total trade and other receivables, net		749	642
Less than 30 days		666	597
30 - 60 days		72	18
61 - 90 days		12	13
Greater than 90 days		29	48
		779	676
Less: expected credit losses		(30)	(34)
Total trade and other receivables, net		749	642

18. Financial Instruments and Risk Management (continued)

(b) Financial risks (continued)

(i) Credit risk (continued)

	Expected credit losses
Balance, January 1, 2023	(43)
Additional provision	(7)
Write-offs	18
Recoveries	(2)
Balance, December 31, 2023	(34)
Additional provision	(9)
Write-offs	16
Recoveries	(3)
Balance, December 31, 2024	(30)

ECL is sensitive to the inputs used in internally developed models, the macroeconomic variables in the forward-looking forecasts, and other factors considered when applying judgments. A 1% increase or decrease in these inputs, assumptions, and judgments would not have significant effect on the assessment of credit risk and the measurement of ECL.

(ii) Interest rate risk

The Corporation is exposed to fluctuations in interest rates for the valuation of its post-employment benefit obligations, refer to Note 15. The Corporation is also exposed to short-term interest rate risk on short-term debt under its credit facility and CP program, customer deposits liability balances and cash. Most of its remaining obligations are either non-interest bearing or bear fixed interest rates, and its remaining financial assets were predominately short-term in nature and primarily non-interest bearing.

The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments and taking action as necessary to maintain an appropriate balance.

The Corporation estimates that a 1% increase in short-term interest rates, with all other variables held constant, would result in an increase of approximately $5 (2023 - $4) to annual finance costs.

18. Financial Instruments and Risk Management (continued)

(b) Financial risks (continued)

(iii) Liquidity risk

Liquidity risk is the risk associated with the Corporation's inability to meet its financial obligations as they fall due. Liquidity risk associated with financial liabilities using undiscounted cash flows is as follows:

2024				
	Due within 1 year	Due between 1 and 5 years	Due past 5 years	Total
Trade and other payables	487	—	—	487
Short-term debt	455	—	—	455
Customer deposits liability	59	—	—	59
Contingent consideration	5	4	—	9
Other liabilities	129	29	—	158
2.488% Debentures due 2027[1]	17	700	—	717
5.264% Debentures due 2030[1]	3	14	68	85
1.751% Debentures due 2031[1]	5	21	308	334
5.297% Debentures due 2041[1]	11	44	338	393
3.958% Debentures due 2042[1]	8	32	303	343
4.121% Debentures due 2045[1]	1	5	50	56
3.458% Debentures due 2049[1]	7	28	335	370
5.225% Debentures due 2052[1]	13	52	550	615
4.627% Debentures due 2034[1]	9	37	242	288
4.309% Debentures due 2034[1]	13	52	365	430
Lease obligations[1]	4	12	13	29
	1,226	1,030	2,572	4,828

[1]The balances for debentures and lease obligations include both principal and interest.

18. Financial Instruments and Risk Management (continued)

(b) Financial risks (continued)

(iii) Liquidity risk (continued)

	2023			
	Due within 1 year	Due between 1 and 5 years	Due past 5 years	Total
Trade and other payables	503	—	—	503
Short-term debt	375	—	—	375
Customer deposits liability	58	—	—	58
Other liabilities	104	26	—	130
4.410% Promissory note due 2024[1]	81	—	—	81
4.410% Promissory note due 2024[1]	70	—	—	70
4.410% Promissory note due 2024[1]	21	—	—	21
3.239% Debentures due 2024[1]	155	—	—	155
2.488% Debentures due 2027[1]	17	717	—	734
5.264% Debentures due 2030[1]	3	14	72	89
1.751% Debentures due 2031[1]	5	21	313	339
5.297% Debentures due 2041[1]	11	44	349	404
3.958% Debentures due 2042[1]	8	32	311	351
4.121% Debentures due 2045[1]	1	5	51	57
3.458% Debentures due 2049[1]	7	28	342	377
5.225% Debentures due 2052[1]	13	52	564	629
Lease obligations[1]	4	13	16	33
	1,436	952	2,018	4,406

[1]The balances for debentures and lease obligations include both principal and interest.

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

- $1,100 in aggregate revolving unsecured credit facilities comprising: (i) $900 committed revolving facility with five banks maturing November 29, 2029 ("Revolving Facility"); and (ii) an additional credit facility to support Letters of Credit of up to $200.
- The committed facility is also used to support outstanding commitments under the CP program by way of same day market rate advances.
- Issuance of senior unsecured debentures with various maturity dates under established Trust Indentures.

18. Financial Instruments and Risk Management (continued)

(b) Financial risks (continued)

(iv) Currency risk

The Corporation's transactions are mainly carried out in $CAD which is the functional currency of the Corporation. Exposure to currency exchange risk arises from $USD denominated cash and investment security balances where there is a mismatch between the currencies in which revenue, purchases, receivables, payables and cash balances are denominated in the functional currency of the Corporation. To mitigate the Corporation's exposure to foreign currency risk, non-$CAD cash flows are monitored in accordance with the Corporation's risk management policies.

Included in the consolidated financial statements captions noted below are significant $USD denominated balances that exposes the Corporation to currency risk:

	2024 USD	2023 USD
Trade receivables	48	15
Cash	7	5
Investment security	1	1
Trade payables	1	1

A 1% increase or decrease in the $USD to $CAD exchange rate would not have a material impact on the Corporation's consolidated financial statements.

19. Capital Structure

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

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

The Corporation's definition of capital includes: shareholders' equity; short-term debt; and long-term loans and borrowings, which includes the current portion of long-term loans and borrowings. The following table represents the Corporation's total capital:

	Note	2024	2023
Short-term debt	12	455	375
Current portion of long term-debt	12	—	316
		455	691
Long-term debt	12	2,419	1,921
Shareholders' equity		1,886	1,801
		4,760	4,413

19. Capital Structure (continued)

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

The Corporation has customary covenants associated with long-term loans and borrowings. The Corporation is in compliance with all credit agreement covenants and limitations associated with its long-term loans and borrowings. Refer to Note 12.

20. Revenue

	2024	2023
Electricity sales	3,306	3,032
Distribution revenue	797	716
Power restoration and industrial services	127	75
Consulting	25	22
Amortization and derecognition of capital contributions	23	23
Sub-metering and metering services	20	16
Solar generation	15	15
Regulatory service charges	14	14
Street lighting	13	10
Water and wastewater billing and customer charges	12	12
Pole and other rental income	6	6
CDM performance incentive revenue	1	2
Other	10	13
	4,369	3,956

Energy sales and distribution revenue by customer class are as follows:

	2024	2023
Residential service[1]	1,541	1,354
Commercial[2]	2,312	2,159
Large users[3]	250	235
	4,103	3,748

[1] "Residential Service" means a service that is for domestic or household purposes, including single family or individually metered multi-family units and seasonal occupancy.

[2] "Commercial" means a service supplied to premises other than those receiving "Residential Service" and "Large Users" and typically includes small businesses and bulk-metered multi-unit residential establishments. This service is provided to customers with a monthly peak demand of less than 5,000 kW averaged over a 12-month period.

[3] "Large Users" means a service provided to a customer with a monthly peak demand of 5,000 kW or greater averaged over a 12-month period.

21. Operating Expenses

	2024	2023
Labour	258	227
Contract and consulting	85	75
General and administrative	33	32
Repairs and maintenance	23	20
Information and technology	19	18
Business taxes and fees	12	11
Provision for ECL	7	7
Facility expenses	5	5
Other	10	8
	452	403

22. Deferred Revenue

	Notes	2024	2023
Deferred revenue at January 1		724	607
Capital contributions received		120	124
Non-cash asset contributions	7	13	16
Amortization and derecognition	20	(23)	(23)
Deferred revenue at December 31		834	724
Less: Current portion of deferred revenue		26	22
Non-current portion of deferred revenue		808	702

Reconciliation between the amounts presented on the Consolidated Statement of Cash Flows and total additions to customer contributions:

	2024	2023
Capital contributions, cash basis	109	116
Accruals	11	8
Total capital contributions received	120	124

23. Net Finance Costs

	Notes	2024	2023
Finance costs			
Interest on long-term debt	12	83	81
Interest on short-term debt		23	17
Other interest		13	10
Less: capitalized interest	7	(3)	(7)
Total finance costs		116	101
Interest income		(8)	(5)
		108	96

24. Income Taxes

(a) Income tax expense

Income tax expense recognized in net income comprise the following:

	2024	2023
Current tax expense	28	16
Deferred tax expense	34	38
	62	54

Income taxes paid and refunded during the year were $14 (2023 - $21) and $1 (2023 - $7), respectively.

(b) Reconciliation of effective tax rate

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

	2024	2023
Income before taxes	229	200
Statutory Canadian federal and provincial income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	61	53
Decrease in income taxes resulting from:		
Unrecognized deferred tax assets	1	1
Total income tax expense	62	54
Effective income tax rate	27.1%	27.0 %

The statutory income tax rate for the current year comprises a combined 15% (2023 - 15%) federal corporate tax rate and 11.5% (2023 - 11.5%) Ontario corporate tax rate. Certain subsidiaries of the Corporation are also subject to taxation in the provinces of New Brunswick 14% (2023 - 14%) and Quebec 11.5% (2023 - 11.5%).

24. Income Taxes (continued)

(c) Deferred tax balances

Net deferred tax assets and liabilities per the table below:

	January 1, 2024	Recognized in net income	December 31, 2024
Deferred tax assets			
Property, plant and equipment, RoU and intangible assets	(5)	1	(4)
Non-capital loss carryforwards	8	2	10
Non-deductible reserves	1	—	1
	4	3	7
Deferred tax liabilities			
Property, plant and equipment, RoU and intangible assets	202	22	224
Transaction costs of loans and borrowings	2	—	2
Tax credit carryovers	(6)	2	(4)
Non-deductible reserves	(1)	—	(1)
Energy variances	(32)	14	(18)
Employee future benefits	(19)	—	(19)
Decommissioning provision	—	(1)	(1)
	146	37	183

	January 1, 2023	Recognized in net income	December 31, 2023
Deferred tax assets			
Property, plant and equipment, RoU and intangible assets	(4)	(1)	(5)
Non-capital loss carryforwards	6	2	8
Non-deductible reserves	1	—	1
	3	1	4
Deferred tax liabilities			
Property, plant and equipment, RoU and intangible assets	175	27	202
Transaction costs of loans and borrowings	2	—	2
Non-capital loss carryforwards	(2)	2	—
Non-deductible reserves	(1)	—	(1)
Tax credit carryovers	(6)	—	(6)
Energy variances	(42)	10	(32)
Employee future benefits	(19)	—	(19)
	107	39	146

The non-capital loss carry forwards are expiring from 2033 to 2044.

25. Net Change in Operating Working Capital

	2024	2023
Trade and other receivables	(89)	(49)
Other assets	(11)	(18)
Trade and other payables	(21)	29
Other liabilities	(14)	30
Contingent consideration	—	(11)
	(135)	(19)

26. Financing Activities Reconciliation

Summary of changes in assets and liabilities arising from financing activities:

	Notes	January 1, 2024	Cash inflow	Cash outflow	Adjustment/ Provision	December 31, 2024
Short-term debt	12	375	12,187	(12,107)	—	455
Long-term debt	12	2,237	498	(316)	—	2,419
Lease obligations	17	25	—	(2)	—	23
Interest receivable		—	8	—	(8)	—
Interest payable		24	—	(117)	119	26
Share capital	16	990	—	(2)	(10)	978
Dividend payable	16	—	—	(82)	82	—
		3,651	12,693	(12,626)	183	3,901

	Notes	January 1, 2023	Cash inflow	Cash outflow	Provision	December 31, 2023
Short-term debt	12	290	11,758	(11,673)	—	375
Long-term debt	12	2,237	—	—	—	2,237
Lease obligations	17	29	—	(5)	1	25
Interest receivable		—	5	—	(5)	—
Interest payable		19	—	(103)	108	24
Share capital	16	992	—	(2)	—	990
Dividend payable	16	—	—	(78)	78	—
		3,567	11,763	(11,861)	182	3,651

27. Commitments, Contingencies, and Guarantees

(a) Commitments

(i) Security with IESO

Entities that purchase electricity in Ontario through the IESO are required to post security to mitigate its risk of their default on their expected activity in the market. The IESO could draw on this security if the Corporation fails to make the payment required on a default notice issued by the IESO. The Corporation has posted a letter of credit as security in the amount of $33 (2023 - $33).

The Corporation has posted letters of credit in the favour of IESO as security for participation in the battery energy storage projects as a part of IESO's long term energy capacity plan, in the amount of $3 (2023 - 13). Refer to Note 9 for details.

(ii) Unrecognized contractual commitments

As at December 31, 2024, the Corporation's commitments for capital expenditures contracted for but not recognized as liabilities, were $251 (2023 - $336). Included within the commitments for capital expenditures, are amounts for property, plant and equipment, intangible assets, and financial investments. The Corporation's commitments for operating expenditures were $51 (2023 - $60).

Aggregated minimum payments under there arrangements over the next five years and thereafter are as follows:

2025	256
2026	23
2027	12
2028	4
Thereafter	7

(b) Contingencies

(i) Legal claims

The Corporation is subject to legal actions and claims in the normal course of business from customers, former employees, and other parties. On an ongoing basis, the Corporation assesses the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual claim. Such provisions are subject to change based on ongoing assessments or settlements of individual claims, including potential mitigation under the Corporation's insurance policies or otherwise. As at December 31, 2024, and 2023, in the opinion of management, the outcome of such matters will not have a material adverse effect on the Corporation’s consolidated financial position, results of operations or cash flows.

(ii) Insurance

The Corporation excluding HPSI, is a member of a reciprocal insurance exchange. The reciprocal insurance exchange is a pooling of electricity industry liability insurance risks of many of the sector participants in Ontario. All members of the pool are subject to assessment for losses experienced by the pool, for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to five years. HPSI is insured through a separate insurer. As at December 31, 2024, and 2023, no assessments have been made.

27. Commitments, Contingencies, and Guarantees (continued)

(c) Guarantees

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

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

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

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

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

(iv) During the year, the Corporation provided a $60 guarantee on behalf of its investment in the joint venture. The guarantee is for a maximum of 50% of the outstanding loan amount of $120 in addition to accrued interest, fees and other expenses, up to a maximum of $65. The guarantee matures in May 2025. The Corporation does not expect the joint venture to default on the loan, therefore no liability with respect to this guarantee was recognized in the financial statements.

28. Divisional and Regulatory Information

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

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

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

2024	Regulated	Adjustment for regulated activities	Competitive activities	Total
Revenue				
Distribution revenue	671	126	—	797
Electricity sales	3,356	(50)	—	3,306
Other revenue	34	29	203	266
	4,061	**105**	**203**	**4,369**
Expenses				
Cost of power	3,356	—	—	3,356
Operating expenses	295	16	141	452
Depreciation and amortization	164	22	22	208
	3,815	**38**	**163**	**4,016**
Income from operating activities	**246**	**67**	**40**	**353**
Net finance costs	(95)	(4)	(9)	(108)
Loss on derecognition of property, plant, and equipment and intangible assets	(10)	(2)	—	(12)
Loss on fair value of contingent consideration	—	—	(4)	(4)
Income before income tax	**141**	**61**	**27**	**229**
Income tax expense	(21)	(33)	(8)	(62)
Net income	**120**	**28**	**19**	**167**
Other comprehensive income				
Reclassification to net income, loss on bond forward	—	—	2	2
Remeasurement of defined benefit obligation	1	—	—	1
Tax impact on remeasurement of defined benefit obligation	—	—	(1)	(1)
	1	**—**	**1**	**2**
Total comprehensive income	**121**	**28**	**20**	**169**

28. Divisional and Regulatory Information (continued)

	2023			
	Regulated	Adjustment for regulated activities	Competitive activities	Total
Revenue				
Distribution revenue	632	84	—	716
Electricity sales	3,055	(23)	—	3,032
Other revenue	40	27	141	208
	3,727	**88**	**141**	**3,956**
Expenses				
Cost of power	3,055	—	—	3,055
Operating expenses	292	10	101	403
Depreciation and amortization	158	20	17	195
	3,505	**30**	**118**	**3,653**
Income from operating activities	**222**	**58**	**23**	**303**
Net finance costs	(83)	(9)	(4)	(96)
Loss on derecognition of property, plant, and equipment	(3)	(3)	—	(6)
Share of net loss of joint venture	—	—	(1)	(1)
Income before income tax	**136**	**46**	**18**	**200**
Income tax expense	(8)	(40)	(6)	(54)
Net income	**128**	**6**	**12**	**146**
Other comprehensive loss				
Reclassification to net income, loss on bond forward	—	—	2	2
Remeasurement of defined benefit obligation	(2)	(1)	—	(3)
Tax impact on remeasurement of defined benefit obligation	—	1	(1)	—
	(2)	**—**	**1**	**(1)**
Total comprehensive income	**126**	**6**	**13**	**145**

28. Divisional and Regulatory Information (continued)

2024				
	Regulated	Adjustment for regulated activities	Competitive activities	Total
Assets				
Current assets				
Cash	37	—	3	40
Trade and other receivables	659	—	90	749
Other assets	86	—	13	99
Total current assets	**782**	**—**	**106**	**888**
Non-current assets				
Property, plant, and equipment and right of use assets	3,577	845	225	4,647
Goodwill and other intangible assets	936	8	108	1,052
Regulatory assets	437	(437)	—	—
Deferred tax asset	—	—	7	7
Other assets	8	—	9	17
Total non-current assets	**4,958**	**416**	**349**	**5,723**
Total assets	**5,740**	**416**	**455**	**6,611**
Liabilities and Shareholders' Equity				
Current liabilities				
Trade and other payables	460	—	31	491
Customer deposits liability	58	—	1	59
Loans and borrowings	370	—	85	455
Lease obligations	1	—	1	2
Deferred revenue	—	26	—	26
Contingent consideration	—	—	5	5
Other liabilities	98	—	44	142
Total current liabilities	**987**	**26**	**167**	**1,180**
Non-current liabilities				
Loans and borrowings	2,245	—	174	2,419
Deferred revenue	—	808	—	808
Employee future benefits	74	—	1	75
Lease obligations	10	—	11	21
Regulatory liabilities	130	(130)	—	—
Deferred tax liabilities	230	(71)	24	183
Contingent consideration	—	—	4	4
Other liabilities	30	—	5	35
Total non-current liabilities	**2,719**	**607**	**219**	**3,545**
Total liabilities	**3,706**	**633**	**386**	**4,725**
Shareholders' equity				
Share capital	682	—	296	978
Contributed surplus	839	(13)	(227)	599
Accumulated other comprehensive income	4	5	(3)	6
Retained earnings	509	(209)	3	303
Total shareholders' equity	**2,034**	**(217)**	**69**	**1,886**
Total liabilities and shareholders' equity	**5,740**	**416**	**455**	**6,611**

28. Divisional and Regulatory Information (continued)

2023				
	Regulated	Adjustment for regulated activities	Competitive activities	Total
Assets				
Current assets				
Cash	—	—	21	21
Trade and other receivables	600	—	42	642
Other assets	75	—	12	87
Total current assets	**675**	**—**	**75**	**750**
Non-current assets				
Property, plant, and equipment and right of use assets	3,395	735	162	4,292
Goodwill and other intangible assets	943	8	75	1,026
Regulatory assets	434	(434)	—	—
Deferred tax asset	—	—	4	4
Other assets	6	—	(1)	5
Total non-current assets	**4,778**	**309**	**240**	**5,327**
Total assets	**5,453**	**309**	**315**	**6,077**
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness	15	—	(15)	—
Trade and other payables	471	—	32	503
Customer deposits liability	57	—	1	58
Loans and borrowings	668	—	23	691
Lease obligations	1	—	1	2
Deferred revenue	—	22	—	22
Other liabilities	104	—	3	107
Total current liabilities	**1,316**	**22**	**45**	**1,383**
Non-current liabilities				
Loans and borrowings	1,746	—	175	1,921
Deferred revenue	—	702	—	702
Employee future benefits	75	—	—	75
Lease obligations	12	—	11	23
Regulatory liabilities	94	(94)	—	—
Deferred tax liabilities	196	(76)	26	146
Other liabilities	25	—	1	26
Total non-current liabilities	**2,148**	**532**	**213**	**2,893**
Total liabilities	**3,464**	**554**	**258**	**4,276**
Shareholders' equity				
Share capital	682	—	308	990
Contributed surplus	839	(13)	(227)	599
Accumulated other comprehensive income	3	5	(4)	4
Retained earnings	465	(237)	(20)	208
Total shareholders' equity	**1,989**	**(245)**	**57**	**1,801**
Total liabilities and shareholders' equity	**5,453**	**309**	**315**	**6,077**

28. Divisional and Regulatory Information (continued)

Alectra Utilities derecognizes all rate-regulated debit and credit balances that do not qualify for recognition under IFRS. The table below presents a summary of rate-regulated debit and credit balances as prescribed by the OEB irrespective of their recognition under IFRS.

	2024	2023
Regulatory Assets:		
Deferred income tax asset[a]	252	223
Retail settlement variance accounts (RSVA's)[b]	116	142
Large commercial interval meter recovery[c]	16	16
OEB cost assessments deferral[d]	16	12
Collection of account lost revenue[e]	15	12
Net refund of regulatory balances[f]	11	2
Incremental locate costs deferral[g]	5	3
Renewable generation capital and operating cost deferral[h]	4	4
LEAP EFA Funding Deferral[i]	1	—
Incremental cloud Implementation Cost[j]	1	—
Lost revenues adjustment mechanism variance account (LRAMVA)[k]	—	20
	437	**434**
Regulatory Liabilities:		
PILs and tax variance[l]	40	38
Retail settlement variance accounts (RSVA's)[b]	37	12
Capitalization policy[m]	25	21
Pole rental variance account[n]	16	14
Re-measurements of post-employment benefits[o]	7	6
Other[p]	5	3
	130	**94**

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

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

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

28. Divisional and Regulatory Information (continued)

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

(e) The OEB approved a deferral account to record the lost revenues related to the administration of the Collection of Account charge. In 2020, the OEB mandated that collection of account charges are part of normal business activities and eliminated any customer charges for this activity. However, as the associated revenue was factored into the rate-setting process the established deferral account allows Alectra Utilities to record the lost revenues for recovery through future distribution rates.

(f) The OEB approved deferral accounts to record the amounts recovered (or refunded) through rates including those recovered (or refunded) through deferral and variance accounts rate riders. Under IFRS, Alectra Utilities recognizes amounts collected or refunded through rate riders as an increase or decrease to distribution revenue.

(g) The OEB established a generic, sector-wide variance account, effective April 1, 2023, to record the incremental cost of locates resulting from the implementation of Bill 93. The bill includes amendments to the *Ontario Underground Notification System Act, 2012* imposing a five-business day deadline for completing standard locate requests and introducing administrative penalties for failing to comply. Under IFRS, Alectra Utilities recognizes costs of locates under operating expenses in the period they were incurred.

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

(i) The OEB established a generic deferral account effective March 1, 2024, for electricity distributors to record prudently incurred incremental Low-income Energy Assistance Emergency Financial Assistance (LEAP EFA) contributions that exceed the funding amounts currently embedded in their rates. Under IFRS, Alectra Utilities recognizes LEAP EFA contributions under operating expenses in the period they were incurred.

(j) The OEB established a deferral account effective December 1, 2023 to record incremental cloud computing implementation costs incurred and any related offsetting savings. Under IFRS, the Corporate recognizes cloud computing implementation costs under operating expenses in the period they were incurred.

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

28. Divisional and Regulatory Information (continued)

(l) The OEB requires utilities to record the impact of any differences that result from a legislative or regulatory change to the tax rates or rules that are not incorporated in the distributor's rates. On June 21, 2019, Bill C-97, the Budget Implementation Act, 2019, No. 1, was given Royal Assent, which introduced the Accelerated Investment Incentive ("AII") program. This program provides for a first-year increase in capital cost allowance (CCA) deductions on eligible capital assets acquired after November 20, 2018. On June 23, 2022, Bill C-19, Budget Implementation Act, 2022, No. 1, was given Royal Asset. Bill C-19 implements new CCA immediate expensing rules, up to a maximum of $1.5MM, on eligible capital assets acquired after April 19, 2021, and available for use before January 1, 2024. Alectra Utilities has recorded the revenue related to the CCA tax rule changes to be refunded through future distribution rates.

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

(n) The OEB approved a new pole attachment revenue variance account to record the difference between pole attachment revenue at the prior rate of $22.35 per pole, and pole attachment revenue based on the updated rate as set by the OEB. Effective January 1, 2024, the new pole attachment charge is set at $37.78 per pole based on the OEB's decision issued on September 26, 2023. Under IFRS, Alectra Utilities recognizes the revenue based on the effective rate in the period the revenue was earned.

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

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