AGENDA MATERIAL

CITY COUNCIL (SPECIAL SESSION)

MEETING DATE: **MONDAY, SEPTEMBER 14, 2020**

LOCATION: **S. H. BLAKE MEMORIAL AUDITORIUM**
(Council Chambers)

TIME: **5:00 P.M.**

MEETING: City Council Special Session
Thunder Bay Hydro AGM

DATE: Monday, September 14, 2020 *Reference No.* *CC - 30/51*

OPEN SESSION in the S.H. Blake Memorial Auditorium 5:00 P.M.

City Council - Special Session - Thunder Bay Hydro Corporation AGM
Chair: Mayor B. Mauro

OPENING CEREMONIES

Prayer or One Minute of Silence

DISCLOSURES OF INTEREST

CONFIRMATION OF AGENDA

Confirmation of Agenda - Thunder Bay Hydro AGM

Confirmation of Agenda - September 14, 2020 - City Council - Special Session (Thunder Bay Hydro AGM)

With respect to the September 14, 2020 City Council – Special Session (Thunder Bay Hydro AGM) meeting, we recommend that the agenda as printed, including any additional information and new business, be confirmed.

REPORTS OF MUNICIPAL OFFICERS

Thunder Bay Hydro Corporation - Annual General Meeting

Thunder Bay Hydro Corporation, 2019 Annual Report, for information only. (Distributed separately with agenda package to Members of Council, EMT and City Solicitor only on Thursday, September 10, 2020)

Consolidated financial statements from Thunder Bay Hydro Corporation as of December 31, 2019, prepared by BDO Canada LLP.

Minutes of May 27, 2019, 19th annual meeting of Thunder Bay Hydro Corporation.

THAT we authorize the City Clerk as the Shareholder Nominee of the Thunder Bay Hydro Corporation to sign the corporate resolution to:

1. Approve the Audited Consolidated Financial Statements of Thunder Bay Hydro Corporation for the fiscal period ending December 31, 2019;

2. Appoint the firm of BDO Canada LLP as the Auditor for Thunder Bay Hydro Corporation, and Thunder Bay Hydro Renewable Power Incorporated;

3. Confirmation of Minutes of May 27, 2019, 19th Annual Meeting of Thunder Bay Hydro Corporation;

4. Approve, ratify and confirm all by-laws, resolutions, acts, contracts and proceedings of the Directors of Thunder Bay Hydro Corporation since the last annual general meeting of the Shareholders of Thunder Bay Hydro Corporation.

NEW BUSINESS

CONFIRMING BY-LAW

BL 97/2020 - Confirming By-law - Thunder Bay Hydro - Annual General Meeting

A By-law to confirm the proceedings of a meeting of Council, this 14th day of September, 2020.

Confirming By-law Resolution - September 14, 2020 - City Council - Special Session (Thunder Bay Hydro AGM)

THAT the following By-law be introduced, read, dealt with individually, engrossed, signed by the Mayor and Clerk, sealed and numbered:

1. A By-law to confirm the proceedings of a meeting of Council, this 14th day of September, 2020

   By-law Number: BL 97/2020

ADJOURNMENT

MEETING DATE 09/14/2020 (mm/dd/yyyy)

SUBJECT Confirmation of Agenda - Thunder Bay Hydro AGM

SUMMARY

Confirmation of Agenda - September 14, 2020 - City Council - Special Session (Thunder Bay Hydro AGM)

RECOMMENDATION

With respect to the September 14, 2020 City Council – Special Session (Thunder Bay Hydro AGM) meeting, we recommend that the agenda as printed, including any additional information and new business, be confirmed.

MEETING DATE	09/14/2020 (mm/dd/yyyy)
SUBJECT	Thunder Bay Hydro Corporation - Annual General Meeting

SUMMARY

Thunder Bay Hydro Corporation, 2019 Annual Report, for information only. (Distributed separately with agenda package to Members of Council, EMT and City Solicitor only on Thursday, September 10, 2020)

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Minutes of May 27, 2019, 19th annual meeting of Thunder Bay Hydro Corporation.

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ATTACHMENTS

1. 2019 - FS - FINAL CONSOLIDATED - THUNDER BAY HYDRO CORPORATION
2. 2019-05-27 TBHC AGM MINUTES

Consolidated Financial Statements

Thunder Bay Hydro Corporation

December 31, 2019

Thunder Bay Hydro Corporation

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Thunder Bay Hydro Corporation

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BDO Canada LLP
1095 Barton Street
Thunder Bay ON P7B 5N3

Independent Auditor's Report

To the Shareholder of
Thunder Bay Hydro Corporation

Opinion

We have audited the accompanying consolidated financial statements of Thunder Bay Hydro Corporation (the Company), which are comprised of the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated financial statements.

Independent Auditor's Report

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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
May 8, 2020

Thunder Bay Hydro Corporation
Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

As at	Notes	December 31, 2019	December 31, 2018
		$	$
ASSETS			
Current			
Cash and cash equivalents	*22*	**10,343,624**	9,147,775
Investments	*22*	**639,499**	-
Trade and other receivables	*8*	**15,024,080**	11,824,993
Unbilled revenue	*8*	**13,592,375**	11,311,823
Payments in lieu of corporate income taxes receivable	*10*	**85,793**	4,600
Stores inventory	*20*	**2,423,281**	2,160,929
Prepaid expenses		**592,207**	707,113
Total current assets		**42,700,859**	35,157,233
Non-current assets			
Cash - restricted	23	**500,000**	500,000
Property, plant and equipment	*6*	**142,289,904**	128,716,506
Intangible assets	*18*	**779,046**	829,939
Deferred taxes	*10*	**4,924,003**	4,262,280
Right-of-use assets	*7*	**1,002,558**	-
Goodwill	*4*	**4,648,887**	-
Total non-current assets		**154,144,398**	134,308,725
Regulatory deferral account debit balances and related deferred tax	*5*	**1,351,938**	731,305
Total assets and regulatory deferral account balances		**198,197,195**	170,197,263

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

On behalf of the Board:

Gary Armstrong

Director

Director

Thunder Bay Hydro Corporation
Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

As at	Notes	December 31, 2019	December 31, 2018
		$	$
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current			
Accounts payable and accrued liabilities		**15,631,447**	14,546,234
Customer deposits and deferred contributions	*12*	**1,883,754**	2,063,565
Deferred revenue		**961,471**	736,883
Current portion of long-term debt	*15*	**5,241,553**	1,864,986
Current portion of lease liability	*7*	**330,104**	-
Total current liabilities		**24,048,329**	19,211,668
Non-current liabilities			
Contributions in aid of construction	*13*	**11,040,386**	8,563,719
Note payable to the Corporation of the City of Thunder Bay	*14*	**26,490,500**	26,490,500
Employee future benefits	*11*	**2,891,196**	2,323,303
Asset retirement obligation	*16*	**285,369**	505,173
Due to majority shareholder		**747,335**	679,322
Long-term debt	*15*	**36,076,577**	31,211,591
Deferred taxes	*10*	**5,771,230**	4,947,104
Lease liability	*7*	**719,649**	-
Total non-current liabilities		**84,022,242**	74,720,712
Shareholder's equity			
Share capital	*21*	**41,931,625**	41,931,625
Accumulated other comprehensive income		**153,970**	352,534
Retained earnings		**34,761,970**	33,297,761
Non-controlling interest	*26*	**11,905,813**	-
Total shareholder's equity		**88,753,378**	75,581,920
Total liabilities and shareholder's equity		**196,823,949**	169,514,300
Regulatory deferral account credit balances and related deferred tax	*5*	**1,373,246**	682,963
Total equity, liabilities and regulatory deferral account credit balances		**198,197,195**	170,197,263

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

Thunder Bay Hydro Corporation
Consolidated Statement of Comprehensive Income
(Expressed in Canadian Dollars)

Year ended December 31	Notes	**2019** $	2018 $
REVENUE			
Electricity sales	9	**144,189,301**	123,108,418
Purchased power		**(118,792,401)**	(100,547,208)
		25,396,900	22,561,210
Other revenue	9	**7,126,115**	7,705,641
		32,523,015	30,266,851
EXPENSES			
Administration *[schedule]*		**9,250,322**	7,709,319
Operations and maintenance *[schedule]*		**9,802,702**	9,312,613
Depreciation	17	**4,804,075**	3,923,310
Plant operations		**815,947**	819,070
Recoverable expenses		**61,087**	59,741
Utility services *[schedule]*		**279,045**	397,439
Amortization land lease		**1,538**	-
Conservation and related programs		**1,536,267**	1,425,373
Loss on disposal of property, plant and equipment		**247,484**	174,090
Asset impairment	6	**2,561,000**	-
		29,359,467	23,820,955
Income from operating activities		**3,163,548**	6,445,896
Finance income	22	**396,277**	239,880
Finance cost	22	**(1,514,749)**	(1,292,113)
Income before provision for payment in lieu of taxes		**2,045,076**	5,393,663
Provision for payment in lieu of taxes			
Current	10	**267,503**	323,492
Deferred	10	**297,709**	1,188,444
		565,212	1,511,936
Profit for the year before net movements in regulatory deferral account balances		**1,479,864**	3,881,727
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement		**376,661**	234,419
Profit for year and net movements in regulatory deferral account balances		**1,856,525**	4,116,146
Other comprehensive income (loss): Items that will not be reclassified to profit or loss, net of income tax			
Remeasurements of future employee benefits		**(216,560)**	50,644
Total comprehensive income for the year		**1,639,965**	4,166,790

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

Thunder Bay Hydro Corporation
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

Year ended December 31, 2019

	Share Capital $	Accumulated other comprehensive income $	Retained earnings $	Non-controlling interest $	Total $
Balance at January 1, 2018	**41,931,625**	**301,890**	**29,256,615**	-	**71,490,130**
Profit for the year and net movements in regulatory deferral account balances	-	-	**4,116,146**	-	**4,116,146**
Other comprehensive income, net of tax	-	**50,644**	-	-	**50,644**
Dividends paid	-	-	**(75,000)**	-	**(75,000)**
December 31, 2018	**41,931,625**	**352,534**	**33,297,761**	-	**75,581,920**
Profit for the year and net movements in regulatory deferral account balances	-	-	**1,571,716**	**284,809**	**1,856,525**
Other comprehensive income (loss), net of tax	-	**(198,564)**	-	**(17,996)**	**(216,560)**
Dividends paid	-	-	**(75,000)**	-	**(75,000)**
IFRS 16 transitional adjustment	-	-	**(32,507)**	-	**(32,507)**
Issuance of shares related to amalgamation	-	-	-	**11,639,000**	**11,639,000**
December 31, 2019	**41,931,625**	**153,970**	**34,761,970**	**11,905,813**	**88,753,378**

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

Thunder Bay Hydro Corporation
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

Year ended December 31	**2019**	2018
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year and net movements in regulatory deferral account balance	**1,856,525**	4,116,146
Adjustments to reconcile income to net cash used in operating activities		
Depreciation *[note 17]*	**5,893,961**	4,868,383
Royalties	**51,933**	56,489
Loss on disposal of property, plant and equipment	**247,484**	174,090
Amortization of contributions in aid of construction *[note 13]*	**(230,664)**	(187,671)
Remeasurement of investments	**-**	(11,818)
Deferred taxes	**222,894**	1,210,964
Increase in future employee benefits	**118,633**	(273,931)
Accretion expense related to asset retirement obligation *[note 16]*	**8,562**	10,092
Accretion expense on royalties	**12,259**	5,260
Amortization of right-of-use asset *[note 7]*	**330,598**	-
Impairment of property, plant and equipment	**2,561,000**	-
	11,073,185	9,968,004
Changes in non-cash working capital balances related to operations		
Trade and other receivables	**(2,313,136)**	424,949
Unbilled revenue	**(994,828)**	264,989
Payments in lieu of taxes	**(28,765)**	97,539
Stores inventory	**(18,526)**	(35,772)
Prepaid expenses	**168,087**	(183,388)
Accounts payable and accrued liabilities	**109,877**	(751,442)
Customer deposits and deferred contributions	**(283,842)**	(673,226)
Debt retirement charges payable	**-**	(302,483)
Deferred revenue	**186,451**	236,321
Net cash flows from operating activities	**7,898,503**	9,045,491
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**382,643**	275,963
Purchase of property, plant and equipment *[note 24]*	**(11,793,576)**	(10,417,191)
Changes in regulatory deferral account balances	**(53,318)**	(1,629,785)
Investments	**(4,714)**	-
Net cash used in investing activities	**(11,468,965)**	(11,771,013)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Advances of long-term debt	**6,000,000**	-
Repayments of long-term debt	**(1,969,393)**	(1,784,417)
Principal paid on lease liability	**(315,910)**	-
Asset retirement obligation	**(54,439)**	(26,768)
Payment of dividends on Solar Activities	**(75,000)**	(75,000)
Net cash provided by (used in) financing activities	**3,585,258**	(1,886,185)
Increase (decrease) in cash during year	**14,796**	(4,611,707)
Cash and cash equivalents, beginning of year	**9,147,775**	13,759,482
Cash acquired through amalgamation	**1,181,053**	-
Cash and cash equivalents, end of year	**10,343,624**	9,147,775

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

1. CORPORATE INFORMATION

Thunder Bay Hydro Corporation's (“the Company”) main business is the distribution of electricity in two rate zones. The Company owns and operates an electricity distribution system, which delivers electricity to approximately 51,100 customers located in Thunder Bay, Ontario and Fort William First Nation and 5,600 customers located in Kenora, Ontario. It also provides meter services to various corporations in Northwestern Ontario as well as locate, administrative and billing services for other utilities in Northwestern Ontario. The Company also operates a landfill gas generation plant under a 20-year contract with the Independent Electricity System Operator ("IESO") formerly the Ontario Power Authority ("OPA") effective August 2010. The address of the Company's corporate office and principal place of business is 34 Cumberland Street North, Thunder Bay, Ontario, Canada. The sole shareholder of the Company is The Corporation of the City of Thunder Bay.

The Company was incorporated under the Business Corporations Act on October 26, 2000 and has continued as a Corporation under the Business Corporations Act of Ontario. The Company distributes electricity to residents and businesses in the City under a license issued by the Ontario Energy Board ("OEB"). The Company is regulated by the OEB and adjustments in the Company's distribution revenue require OEB approval.

On January 1, 2019, SYNERGY NORTH Corporation ("SN") was formed under the Business Corporation Act (Ontario) by amalgamation ("the Amalgamation Transaction") of the former entities: Thunder Bay Hydro Electricity Distribution Inc. ("TBHEDI") and Kenora Hydro Electric Corporation Ltd. ("Kenora Hydro"). The former TBHEDI was deemed the acquirer under the Amalgamation Transaction for accounting purposes.

The Consolidated statements include the accounts of the Company and its subsidiaries as follows:

	Proportion of Interest		**Non-controlling ownership/voting**	
	2019	2018	**2019**	2019
SYNERGY NORTH Corporation ("SN")	**91.69%**	-	**8.31%**	-
Thunder Bay Hydro Electricity Distribution Inc. ("TBHEDI")	**-**	100%	**-**	-
Thunder Bay Hydro Utilities Services Inc. ("TBHUSI")	**100%**	100%	**-**	-
Thunder Bay Hydro Renewable Power Incorporated ("TBHRPI")	**100%**	100%	**-**	-

All intercompany balances and transactions have been eliminated.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of Thunder Bay Hydro Corporation have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on May 7, 2020.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Canadian dollars (CDN$), which is also the Company's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.

c) Explanation of Activities subject to Rate Regulation

SN, as an electricity distributor, is both licensed and regulated by the OEB which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Company and establishing standards of service for the Company's customers.

The OEB has broad powers related to licensing, standards of conduct and service and the regulation of rates charged by the Company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition of the Ontario energy market. Rates are set by the OEB on an annual basis for May 1 to April 30.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario’s electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. SN is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecasted operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

Demand risk

The volume of electricity consumed by customers during any period is largely influenced by events outside of the Company's control (e.g. sustained periods of hot or cold weather could increase the consumption of electricity, sustained periods of mild weather could decrease the consumption of electricity and general economic conditions could affect overall electricity consumption). Additionally, consumption may be decreased in the future due to the impact of Conservation and Demand Management ("CDM") programs, distributed generation, renewable energy, and advances in technology. Accordingly there can be no assurance that the Company will earn the revenue requirement approved by the OEB.

d) Judgment and Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are:

- The calculation of impairment of accounts receivables and unbilled service revenue; and the incorporation of forward looking information into the measurement of the expected credit loss (ECL) [note 22];
- The determination for the provision of Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain [note 10];
- The determination of whether an arrangement contains a lease and the determination of the incremental borrowing rate used to measure lease liabilities [note 7];
- The calculation of unbilled revenue [note 8];
- The determination of useful lives of property, plant and equipment [note 6];
- The calculation of the net future obligation for certain unfunded health, dental and life insurance benefits for the Company's retired employees, and calculation of unvested sick leave leave benefits for employees [note 11]; and
- The calculation of regulatory deferral account balances [note 5].
- The determination of an impairment test of non-financial assets needs to be performed; and the expected future cash flows and various risk components which comprise the discount rate.

In addition, in preparing the financial statements the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the consolidated financial statements. The determination of the relevance and materiality of disclosures involved significant judgment.

During the year, the estimated useful life of assets in TBHRPI were adjusted to coincide with the completion of the IESO contract in September 2030. As a result, depreciation has increased for TBHRPI for the year and all future years by $224,019.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2019 did not materially affect the Company's consolidated financial statements other than those described below.

IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 Leases (IFRS 16). IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 - Leases ("IAS 17"), with the distinction between operating leases and finance leases being retained.

The Company adopted IFRS 16 using the modified retrospective approach without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

Recognition and measurement

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. However, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Company recognized right-of-use assets and lease liabilities in relation to leases of land easements and properties which had previously been classified as operating leases [note 7].

The lease liabilities and right-of-use assets were measured as follows:

(a) The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The Company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions; and

(b) Right-of-use assets are measured at an amount equal to the lease liability, calculated as if IFRS 16 had always been in effect.

Impacts on the Company's consolidated financial statements on January 1, 2019.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at January 1, 2019:

	Balance December 31, 2018	**IFRS Adjustment**	**Adjusted January 1, 2019**
Right-of-use asset	-	1,333,156	1,333,156
Lease liability (i)	-	1,365,663	1,365,663
Retained Earnings	33,297,761	(32,507)	33,265,254

(i) When measuring lease liabilities for leases that were previously operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities was 2.77%.

Impacts on the Company's consolidated financial statements for the period ending December 31, 2019

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized $1,002,558 of right-of-use assets and $1,049,753 of lease liabilities as at December 31, 2019.

Also in relation to those leases under IFRS 16, the Company recognized depreciation and interest costs, instead of operating lease expense. During the year ended December 31, 2019, the Company recognized $330,598 of depreciation expense, $33,941 of interest costs and $12,511 of deferred tax expense / recovery from these leases.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (IFRIC 23)

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- An entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The adoption of IFRIC 23 did not have a material impact on the Company's consolidated financial statements.

4. BUSINESS COMBINATION

On January 1, 2019, TBHEDI amalgamated with Kenora Hydro to form SYNERGY NORTH Corporation. Under the Amalgamation Transaction, shares of the former TBHEDI and Kenora Hydro were exchanged for the voting common shares of SN. The Amalgamation Transaction has been recognized as a business combination in accordance with IFRS 3, Business Combinations using the acquisition method with the former TBHEDI deemed as the acquirer based on its relative size compared to that of the former Kenora Hydro. These consolidated financial statements include: the net fair value of the assets of former Kenora Hydro as at January 1, 2019; and the net assets of TBHEDI at its carrying amounts at January 1, 2019. The comparative figures reflect the financial position, financial performance and cash flows of TBHEDI only. The impact of acquiring Kenora Hydro is reflected in the current year figures only starting at the date of amalgamation. The amalgamation is expected to result in more efficient and enhanced service delivery through lower operating costs, while providing significant benefits for communities and shareholders.

The value exchanged was $11,639,000 for 9,100 Common shares, resulting in goodwill of $4,648,887 which is not deductible for income tax purposes. Certain post-closing adjustments provided under the agreements to the Amalgamation Transaction were made through redemption of Class A and Class B Special shares.

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

Cash and cash equivalents	1,181,053
Accounts receivable and unbilled revenue	2,569,925
Income tax receivable	52,428
Inventories	243,826
Other assets	687,972
Property, plant and equipment	8,470,721
Deferred tax asset	60,489
Regulatory assets	25,618
Accounts payable and accrued liabilities	(975,693)
Customer deposits and deferred contributions	(104,031)
Deferred revenue	(38,137)
Amounts due to related parties	(401,718)
Contributions in-aid-of-construction	(190,108)
Loans and borrowings	(4,210,946)
Employee future benefits	(232,700)
Regulatory liabilities	(148,586)
Fair value of identifiable net assets acquired	6,990,113
Goodwill	4,648,887
Total (non-cash) consideration transferred	11,639,000

The valuation technique used for the amalgamation of TBHEDI and Kenora Hydro was the Multiple of Rate Base valuation approach. Under the Multiple of Rate Base valuation approach, the fair market value was calculated by examining the rate base multiples implied in the purchase prices of recent publicly-disclosed transactions involving Ontario LDC's comparable to TBHEDI and Kenora Hydro.

5. REGULATORY DEFERRAL ACCOUNT BALANCES

The Company applies IFRS 14, Regulatory Deferral Accounts, to reflect the impact of regulation on its operations. In accordance with IFRS 14, the Company continues to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances. Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets.

Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process.

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s), that are expected to be recovered from consumers in future periods through the rate-setting process. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

The balances and movements in the regulatory deferral account balances shown below are presented net of related deferred taxes. These deferred taxes are not presented within the total deferred tax asset balances [note 10].

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	January 1, 2019	Balances arising in the period	Recovery /reversal	December 31, 2019
	$	$	$	$
Regulatory Deferral Account Debit				
Retailer Services	**139,463**	**32,533**	**-**	**171,996**
Lost Revenue Adjustment Mechanism	**-**	**203,715**	**-**	**203,715**
Other Deferral Accounts	**-**	**81,954**	**-**	**81,954**
OEB Cost Assessment	**102,731**	**39,834**	**-**	**142,565**
Settlement Variances	**554,428**	**(203,540)**	**559,881**	**910,769**
Deferred Taxes	**(65,317)**	**(93,744)**	**-**	**(159,061)**
	731,305	**60,752**	**559,881**	**1,351,938**
Regulatory Deferral Account Credit				
Accounting Changes Under CGAAP	**-**	**(9,764)**	**-**	**(9,764)**
Post Merger Policy Changes	**-**	**(76,677)**	**-**	**(76,677)**
Wired Pole Attachment Deferral	**(45,589)**	**(679,468)**	**-**	**(725,057)**
Deferred Taxes	**-**	**22,907**	**-**	**22,907**
Carrying Charges	**(637,374)**	**(389,399)**	**442,118**	**(584,655)**
	(682,963)	**(1,132,401)**	**442,118**	**(1,373,246)**
Net	**48,342**	**(1,071,649)**	**1,001,999**	**(21,308)**

	January 1, 2018	Balances arising in the period	Recovery /reversal	December 31, 2018
	$	$	$	$
Regulatory Deferral Account Debit				
Retailer Services	91,758	47,705	-	139,463
OEB Cost Assessment	104,216	(1,485)	-	102,731
Deferred Taxes	(52,586)	(12,731)	-	(65,317)
Settlement Variances	-	65,915	488,513	554,428
	143,388	99,404	488,513	731,305
Regulatory Deferral Account Credit				
Wired Pole Attachment Deferral	-	(45,589)	-	(45,589)
Settlement Variances	(1,095,478)	1,095,478	-	-
Carrying Charges	(629,353)	(152,001)	143,980	(637,374)
	(1,724,831)	897,888	143,980	(682,963)
Net	(1,581,443)	997,292	632,493	48,342

(i) Retailer Services

This regulatory balance relates to the net of revenues and costs of services pertaining to the supply of competitive electricity to retailer customers. Net costs have been captured for future rate recovery. The Company has recorded transactions throughout 2019, and will carry this balance for recovery in its future Cost of Service Rate Application. Carrying Charges are applicable to this account.

(ii) Lost Revenue Adjustment Mechanism

The Lost Revenue Adjustment Mechanism account tracks lost electricity distribution revenue as a result of reduced electricity consumption when customers participated in Conservation and Demand Management programs. The Company has recorded lost revenue from the impacts of conservation activity up to December 31, 2019. This balance will be brought forward for recovery in its future Cost of Service Rate Application. Carrying Charges are applicable to this account.

(iii) Other Deferral Accounts

This balance is comprised of the following accounts; Smart Meter Deferral, Renewable Generation Deferral, Smart Grid Deferral and Deferred IFRS transition costs. These balances will be brought forward in the next Cost of Service Rate Application for recovery. Carrying Charges are applicable to these accounts.

(iv) OEB Cost Assessment

The OEB issued guidance in 2016 permitting the Company to record any material differences between OEB cost assessments currently collected in rates, and the application of the OEB's new Cost Assessment Model.

The Company has recorded this entitlement, and will carry this balance forward in the next Cost of Service Rate Application for recovery. Carrying Charges are applicable to this account.

(v) Settlement Variances

This account is comprised of the variances between amounts charged by the company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the company. The settlement variances relate primarily to commodity charges, non-competitive electricity charges, and the global adjustment.

The company has recognized a settlement variance asset of $910,769 [2018 – $554,428] arising from the recognition of regulatory deferral account balances. The settlement variance liability balance is presented within the total regulatory deferral account credit balances presented in the statement of financial position. Carrying Charges are applicable to these accounts.

(vi) Deferred Taxes

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The Company has recognized a deferred tax asset of $159,061 [2018 - $65,317] arising from the recognition of regulatory deferral account balances and a corresponding regulatory deferral account credit balance of $22,907 [2018 - $Nil]. The deferred tax balance is presented within the total regulatory deferral account balances presented in the statement of financial position.

(vii) Accounting Changes Under CGAAP

This regulatory balance relates to the calculation of the annual impact on revenue arising from Kenora Hydro's capital accounting polices under CGAAP versus those under IFRS. The Company will carry this balance to its next Cost of Service Rate Application. The subsequent disposition will be returned to the Kenora rate zone customers. Carrying Charges have not been applied to this account.

(viii) Post-Merger Accounting Policy Changes

On direction from the OEB in their decision on the Merger, Amalgamation, Acquisition and Divestisure application, the Company has calculated the impact on the pre-merger revenue requirement for Kenora Hydro created by the adoption of Thunder Bay Hydro's accounting policies. This Deferral account will be brought forward to the next Cost of Service Rate Application, at which time it is expected that the accumulated balance will be returned to the Kenora rate zone customers. Carrying Charges have not been applied to this account.

(ix) Wired Pole Attachment Deferral

The OEB issued guidance in 2018 permitting distributors to increase rates charged to telecommunication companies for wireline pole attachments. The OEB also directed distributors to record any excess revenue between its OEB rate approved revenue and the incremental revenue collected in a new variance account related to pole attachment charges. The closing balance is to be refunded to ratepayers in the distributor's next Cost of Service Rate Application.

The Company has recorded this entitlement, and will carry this balance for disposal in its next Cost of Service Rate Application. Carrying Charges are applicable to this account.

(x) Carrying Charges

Carrying Charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB. The Company applied for and received approval to recover Carrying Charges earned in 2017 and prior in its 2018 and 2019 rate applications. The Company also intends to seek recovery of Carrying Charge income earned in 2018 and 2019 in future rate applications.

6. PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Property, plant and equipment (PP&E) are recognized at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including eligible borrowing costs.

Depreciation of PP&E is recorded in the consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Buildings	**2%**
Distribution and transformation equipment	**1% to 6%**
Other assets	**3.3% to 5%**
Rolling stock	**5% to 8%**
Generation assets	**15 to 20 years**

Land is not depreciated.

Major spare parts

Major spares such as spare transformers and meters kept as standby/back up equipment are accounted for as PP&E since they support the Company's distribution system reliability, but are not depreciable until installed.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the consolidated Statement of Comprehensive Income when the asset is disposed of.

Impairment of non-financial assets

Other non-financial assets including property, plant and equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (CGU), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment losses for CGUs is charged pro rata to non financial assets in the CGUs. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the CGU's recoverable amount exceeds its carrying amount.

Impairment charges, if any, are included in the Statement of Comprehensive Income.

During the year, it was determined that the property, plant and equipment of TBHRPI has been impaired. Decreasing cashflow experienced and projected, coupled with uncertainty regarding the IESO contract renewal, in management's judgement is indicative of an impairment of the property plant and equipment. Renewable Energy Projects require government revenue contracts to be viable.

TBHRPI’s impairment analysis is prepared using a value-in-use approach that relies on estimating discounted cash flows.

TBHRPI has projected that revenue will increase in 2020 by 2.86% and 0.37% annually thereafter. Operating expenses, excluding interest on long term debt and amortization will increase 2% - 2.5% annually. The value-in-use discount rate used was 6%.

As a result, the TBHRPI has estimated an impairment of $2,561,000 which has been applied to property, plant and equipment.

	Land and Buildings	Distribution equipment	Transformation equipment	Renewable Solar	Other Fixed Assets	Construction-in-progress	Total
Cost							
Balance as of January 1, 2018	$9,396,952	$182,825,570	$9,681,306	$3,830,104	$26,291,227	$2,595,661	$234,620,820
Additions	86,036	10,657,868	253,091	-	956,156	(3,815)	11,949,336
Disposals	-	(1,732,493)	-	-	(44,784)	-	(1,777,277)
Balance as of December 31, 2018	9,482,988	191,750,945	9,934,397	3,830,104	27,202,599	2,591,846	244,792,879
Additions	40,996	13,065,467	111,601	-	1,031,799	82,379	14,332,242
Additions through acquisition	501,360	5,210,107	2,421,516	-	335,145	2,593	8,470,721
Disposals	-	(1,699,823)	-	-	(1,435,148)	-	(3,134,971)
Balance as of December 31, 2019	**10,025,344**	**208,326,696**	**12,467,514**	**3,830,104**	**27,134,395**	**2,676,818**	**264,460,871**
Accumulated depreciation							
Balance as of January 1, 2018	$3,181,458	$85,195,052	$7,572,309	$842,743	$15,599,428	$-	$112,390,990
Depreciation for the year	262,278	3,226,412	303,468	191,608	1,028,841	-	5,012,607
Impairment loss	-	-	-	-	-	-	-
Disposals	-	(1,282,442)	-	-	(44,782)	-	(1,327,224)
Balance as of December 31, 2018	3,443,736	87,139,022	7,875,777	1,034,351	16,583,487	-	116,076,373
Depreciation for the year	348,287	3,747,576	404,141	191,608	1,346,826	-	6,038,438
Impairment loss	471,810	-	-	-	2,089,190	-	2,561,000
Disposals	-	(1,176,236)	-	-	(1,328,608)	-	(2,504,844)
Balance as of December 31, 2019	**4,263,833**	**89,710,362**	**8,279,918**	**1,225,959**	**18,690,895**	**-**	**122,170,967**
Net Book Value							
At December 31, 2018	6,039,252	104,611,923	2,058,620	2,795,753	10,619,112	2,591,846	128,716,506
At December 31, 2019	**5,761,511**	**118,616,334**	**4,187,596**	**2,604,145**	**8,443,500**	**2,676,818**	**142,289,904**

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Right-of-Use Assets and lease liabilities

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019. All leases are accounted for by recognizing a right-to-use asset and a lease liability except for:

- Leases of low value assets (based on the value of the underlying asset when new); and
- Short-term leases with a lease term of twelve months or less.

a) Nature of leasing activities (in the capacity as lessee)

The Company has entered a lease for office space. This lease is for a period of 5 years plus the option to renew for an additional 5 years. The lease payments comprise fixed payments over the lease term and additional rent payments that are based on changes in market rates.

b) Recognition and initial measurement

The Company recognizes right-of-use assets and lease liabilities at the lease commencement date.

The right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease or initial direct costs incurred.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate (e.g. CPI or inflation). In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments that are not dependent on an index or rate are expensed in the period to which they relate.

c) Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Right-of-use assets are amortized on a straight line basis over the remaining term of the lease.

Lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate. The revised future lease payments are discounted at the same discount rate that applied on lease commencement. Lease liabilities are also remeasured when there is a change in the assessment of the term of any lease (for example, a change in the Company's assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised). The future lease payments over the revised term are discounted at the revised discount rate at the date of reassessment. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset.

Right-of-use assets consist of the following:

	Properties $
Cost	
Balance at January 1, 2019	**1,676,057**
Accumulated Depreciation	
Balance at January 1, 2019	**342,901**
Depreciation for the year	330,598
Balance at December 31, 2019	**673,499**
Net Book Value	
Carrying amounts at January 1, 2019	**1,333,156**
Carrying amounts at December 31, 2019	**1,002,558**

Lease liabilities consist of the following:

	Properties $
Balance at January 1, 2019	**1,365,663**
Interest expense	33,941
Lease payments	(349,851)
Balance at December 31, 2019	**1,049,753**
Less current portion	**330,104**
Long term portion	**719,649**

Amounts recognized in the statement of cash flows:

	2019 $	2018 $
Total cash outflow for leases	**349,851**	344,671

Amounts recognized in profit or loss:

	2019 $	2018 $
Expenses relating to short-term leases (included in operating expenses)	**98,524**	-

d) Liquidity risk

The Company does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored within the Company's finance function.

The following table sets out the contractual maturities, representing undiscounted contractual cash-flows, of lease liabilities:

	December 31 2019 $
No later than 1 year	**355,109**
Later than 1 year and not later than 5 years	**730,912**
Later than 5 years	**12,329**
	1,098,350

8. ACCOUNTS RECEIVABLE AND UNBILLED SERVICE REVENUE

Trade and other receivables

	December 31, 2019 $	December, 31 2018 $
Trade receivables	**12,819,581**	10,742,418
Less: provision for impairment of trade receivables	**(438,133)**	(500,925)
Trade receivables - net	**12,381,448**	10,241,493
Other receivables	**2,642,632**	1,583,500
Total trade and other receivables	**15,024,080**	11,824,993

Unbilled service Revenue

Unbilled service revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occurs within 30 days of delivery.

Due from customers	**13,611,375**	11,329,823
Less: provision for impairment of unbilled revenue	**(19,000)**	(18,000)
Current portion	**13,592,375**	11,311,823

The carrying value of trade and other receivables and unbilled service revenue is classified and measured at amortized cost and approximate their fair value due to their short maturity. Accounts are past-due (in default) when the customers have failed to make the contractually required payments when due, which is generally within 19 days of the billing date.

The Company develops loss rates based on historical default and loss experiences for its' customers, adjusted for current economic conditions and forecasts of future economic conditions including local unemployment rates, local economic outloook, credit customers. The same factors are considered when determining whether to write off accounts receivable and unbilled service revenue amounts. This generally occurs when there is no realistic prospect of recovery. However accounts written off could still be subject to enforcement activities. No accounts are written off directly to the provision for credit losses.

9. REVENUE

Major components of revenues consist of the following:

	December 31, 2019 $	December 31, 2018 $
Electricity sales and distribution		
Electricity sales	**118,326,065**	100,341,346
Distribution revenue	**25,863,236**	22,767,072
	144,189,301	123,108,418
Other revenue		
Revenue from contracts with customers		
Pole line rentals	**718,179**	570,796
Reconnection and change of occupancy charges	**219,399**	215,390
Late payment charges	**361,873**	334,889
Utility services	**1,066,248**	1,448,435
FIT Revenue	**1,891,084**	2,048,392
Revenue from other sources		
Recoverable	**747,238**	354,349
Conservation and related programs	**1,536,267**	1,435,419
Competitive market revenues	**194,318**	163,874
Sundry	**160,845**	946,426
Amortization of contributions in aid of construction *[note 13]*	**230,664**	187,671
	7,126,115	7,705,641
Total revenue		
Revenue from contracts	**148,446,084**	127,726,320
Revenue from other sources	**2,869,332**	3,087,739
	151,315,416	130,814,059

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and that the revenue can be reliably measured.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity are recognized over time on an accrual basis upon delivery of the electricity, including unbilled revenues accrued in respect of electricity delivered but not yet billed. Sale and distribution of electricity revenue is comprised of customer billings. Customer billings for sale and distribution of electricity are recorded based on meter readings, and are generally due within 19 days of the billing date.

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided. Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Microfit ("FIT") contract revenue is recognized based on the hourly generation for the month.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction [note 13].

10. PAYMENTS IN LIEU OF TAXES PAYABLE

The Company is a Municipal Electricity Utility ("MEU") for purposes of the payments in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As an MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

PILs expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances [note 5].

Significant judgment is required in determining the provision for PILs. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

The income tax expense varies from amounts which would be computed by applying the Company's combined statutory income tax rate as follows:

	2019 $	2018 $
Earnings before provision for taxes	**2,421,737**	5,628,082
Statutory Canadian federal and provincial income tax rate (%)	**26.50**	26.50
Expected provision	**641,656**	1,491,442
Increase (decrease) in income tax resulting from:		
Permanent differences	**6,868**	3,035
Other	**(214,216)**	(114,464)
Corporate minimum tax	**130,904**	131,923
Tax provision	**565,212**	1,511,936
Effective tax rate	**23.33%**	26.86%

The significant components of the tax effect of the amount recognized in other comprehensive income are composed of:

	2019 $	2018 $
Deferred tax		
Remeasurements of future employee benefits	**(73,826)**	22,520

	Opening balance January 1, 2019	**Recognize in net income**	**Recognize in OCI**	**Closing balance at December 31, 2019**
	$	$	$	$
2019				
Deferred tax asset				
Accrued royalty	**179,130**	**17,020**	-	**196,150**
Corporate minimum tax	**37,506**	**1,064**	-	**38,570**
Right -of -use asset and lease liability	**-**	**12,511**	-	**12,511**
Employee future benefits	**615,675**	**76,666**	**73,826**	**766,167**
Contributions in aid of construction	**2,269,386**	**656,316**	-	**2,925,702**
Asset retirement obligation	**133,871**	**(58,248)**	-	**75,623**
Cumulative eligible capital	**9,666**	**159,286**	-	**168,952**
Loss carry forwards	**1,017,046**	**(276,718)**	-	**740,328**
	4,262,280	**587,897**	**73,826**	**4,924,003**
Deferred tax liability				
Intangible asset	**(33,352)**	**903**	-	**(32,449)**
Property, plant and equipment	**(4,913,752)**	**(825,029)**	-	**(5,738,781)**
	(4,947,104)	**(824,126)**	-	**(5,771,230)**
Net deferred tax	**(684,824)**	**(236,229)**	**73,826**	**(847,227)**

	Opening balance January 1, 2018	Recognize in net income	Recognize in OCI	Closing balance at December 31, 2018
	$	$	$	$
2018				
Deferred tax asset				
Accrued royalty	162,800	16,330	-	179,130
Corporate minimum tax	37,506	-	-	37,506
Employee future benefits	704,819	(66,624)	(22,520)	615,675
Contributions in aid of construction	2,111,686	157,700	-	2,269,386
Asset retirement obligation	125,354	8,517	-	133,871
Cumulative eligible capital	10,394	(728)	-	9,666
Loss carry forwards	1,306,883	(289,837)	-	1,017,046
	4,459,442	(174,642)	(22,520)	4,262,280
Deferred tax liability				
Intangible asset	(33,564)	212	-	(33,352)
Property, plant and equipment	(3,899,738)	(1,014,014)	-	(4,913,752)
	(3,933,302)	(1,013,802)	-	(4,947,104)
Net deferred tax	526,140	(1,188,444)	(22,520)	(684,824)

At December 31, 2019, a deferred tax asset of $4,924,003 [2018 - $4,262,280] has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Company believes that this asset should be recognized as it will be recovered through future income.

11. EMPLOYEE FUTURE BENEFITS

Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System (“OMERS”). The Company also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreement, is usually insufficient to reliably measure the Company's proportional share in the plan assets and liabilities.

The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The employer portion of amounts paid to OMERS during the year was $1,220,322 [2018 - $1,176,118]. The contributions were made for current service and these have been recognized in net income.

Expected contributions to the plan for the next annual reporting period amount to $1,242,517, which is based on payments made to the multi-employer plan during the current fiscal year.

As at December 31, 2019, the OMERS plan was 97% funded [2018 - 96%]. OMERS has a strategy to return the plan to a fully funded position. The Company 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.

Defined benefit plans

The Company provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Company's net obligation for these benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted. The Company has also provided for a provision for non-vested sick leave benefits to current employees.

The cost of these benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, the cost of these benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The calculation is performed by a qualified actuary using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities. The valuation is performed every third year or when there are significant changes to workforce.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs include current and past service costs as well as gains and losses on curtailments.

Net interest expense is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the consolidated Statement of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Health care cost risk: increases in cost of providing health, dental and life insurance benefits.

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

Defined benefit liability

	2019	2018
	$	$
Accrued benefit obligation at January 1	**2,323,303**	2,659,696
Acquisition through amalgamation [note 4]	**232,700**	-
Benefits paid in the year or moved to current liability	**(91,188)**	(113,540)
Current service costs	**82,678**	85,471
Past service (gain)/loss	**-**	(312,465)
Interest cost [note 22]	**65,114**	89,123
	2,612,607	2,408,285
Remeasurement (gain)/loss:		
Changes in financial assumptions	**278,589**	(84,982)
	2,891,196	2,323,303

The main actuarial assumptions underlying the valuations are as follows:

[a] General inflation:

Future general inflation levels, as measured by changes in the Consumer Price Index (“CPI”), were assumed at 2.0% [2018 - 2.0%].

[b] Interest (Discount) Rate

The obligation at year end, of the present value of future liabilities and the expense for the year ended, were determined using a discount rate of 3.1% [2018 - 3.9%]. The discount rate for 2019 reflects the assumed long term yield on high quality bonds.

[c] Salary levels:

Future general salary and wage levels were assumed to increase at 2.9% per annum [2018- 2.9%].

[d] Medical costs:

Medical costs were assumed to increase at a rate of 4% in 2019, increasing annually to 5.3% in 2029 and then gradually falling before leveling off at 4% by 2040 and thereafter [2018 - 4%].

The Company’s sick accrual is included above in the amount of $939,700 [2018 - $834,800] and is the accumulation of non-vested sick leave benefits under IAS 19 standards for financial reporting purposes. The company hired an outside consulting firm to assess the future payments to be made as a result of the company’s employees’ sick leave bank hours. The discount rate used was 3.1% per annum at December 31, 2019 and 3.9% per annum at December 31, 2018. The future general salary and wage levels were assumed to increase at 2.9% per annum.

If the discount rate increased to 4.1% the accrued benefit obligation would decrease to approximately $2,574,776. If the discount rate decreased to 2.1% the accrued benefit obligation would increase to approximately $3,226,459.

12. CUSTOMER DEPOSITS AND DEFERRED CONTRIBUTIONS

Customer deposits represents cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to contributions in aid of construction. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

	December 31, 2019 $	December 31, 2018 $
Customer deposits	**1,375,227**	1,275,179
Construction deposits	**508,527**	788,386
Total customer deposits	**1,883,754**	2,063,565

13. CONTRIBUTIONS IN AID OF CONSTRUCTION

The continuity of contributions in aid of construction is as follows:

	December 31, 2019 $	December 31, 2018 $
Contributions, net, beginning of year	**8,563,719**	7,463,179
Acquisition through amalgamation [note 4]	**190,108**	-
Contributions in aid of construction received	**2,517,223**	1,288,211
Amortization of contributions in aid of construction	**(230,664)**	(187,671)
Contribution, net, end of year	**11,040,386**	8,563,719

14. NOTE PAYABLE (TO THE CORPORATION OF THE CITY OF THUNDER BAY)

The note is a non-interest bearing, unsecured note payable to The Corporation of the City of Thunder Bay (sole shareholder of Thunder Bay Hydro Corporation) and is due on demand. The loan is subordinated by other debt *[note 23]*. The fair value of this amount is approximately $10,276,000 [2018 - $9,620,000].

15. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2019 $	December, 31 2018 $
Bank term loan payable in monthly instalments of $64,400 including interest at 5.27%, maturing July, 2024.	**3,140,495**	3,732,873
Promissory note payable in semi annual instalments of $167,663 including interest at 4.04%, maturing June, 2043.	**5,057,684**	5,184,815
Promissory note payable in semi annual instalments of $176,067 including interest at 3.96%, maturing October, 2044.	**5,556,003**	5,686,600
Promissory note payable in semi annual instalments of $111,616 including interest at 3.75%, maturing March 2046.	**3,728,813**	3,809,926
Debenture loan payable in semi annual instalments of $429,068 including interest at 4.52%, maturing December, 2025.	**4,465,926**	5,100,597
Promissory note payable in monthly instalments of $19,017 including interest at 3.13%, maturing February, 2027.	**2,306,531**	2,459,928
Promissory note payable in monthly instalments of $32,318 including interest at 3.38%, maturing July, 2047.	**6,951,732**	7,101,838
Promissory note payable in monthly instalments of $25,654 including interest at 3.11%, maturing December 2049.	**6,000,000**	-
Promissory note payable to the Corporation of the City of Kenora in monthly instalments of interest only at the TD Canada Trust prime rate.	**3,069,279**	-
Promissory note payable in monthly instalments of $8,333 plus interest at 2.87%, maturing May 2030.	**1,041,667**	-
	41,318,130	33,076,577
Less amounts included in current liabilities	**5,241,553**	1,864,986
Long-term portion	**36,076,577**	31,211,591

Expected principal repayments required over the next five years are as follows:

	$
2020	2,172,274
2021	2,263,571
2022	2,360,683
2023	2,461,416
2024	2,241,936
Thereafter	29,818,250
	41,318,130

As collateral for the above loans, the Company has provided:

The bank term loan and the promissory notes payable are secured by a general security agreement representing a first charge on all SN assets and undertaking, excluding renewable solar assets.

The debenture is secured by a general security agreement representing a first charge on all TBHRPI assets and undertaking, including without limitation, equipment specific to the Project. As well, a second ranking security interest in any subsequent assets acquired.

Assignment of Renewable Energy Standard Offer Program ("RESOP") contract.

The Company is subject to specific covenants under its borrowing arrangements as stipulated in the facility agreement [note 23]. At December 31, 2019 the Company was in compliance with all debt covenants.

16. ASSET RETIREMENT OBLIGATION

A reconciliation between the opening and closing asset retirement obligation (ARO) liability balances is as follows:

	2019	2018
	$	$
Balance, beginning of year	**505,173**	473,032
Adjustment for change in estimates	**(173,928)**	48,817
ARO liabilities settled in the year	**(54,438)**	(26,768)
Accretion expense	**8,562**	10,092
	285,369	505,173

At December 31, 2019, the Corporation estimates the undiscounted amount of cash flows required over the twelve years [2018 - fifteen years] to settle the ARO is $370,400 [2018 - $733,176]. A discount rate of 3.1% [2018 - 3.9%] was used to calculate the carrying value of the ARO liabilities. No assets have been restricted for settlement of the liability.

17. DEPRECIATION

	2019	2018
	$	$
Depreciation of general plant	**4,622,854**	3,750,471
Depreciation of asset retirement obligation	**34,858**	66,115
Depreciation of wholesale meters	**50,893**	50,893
Depreciation of unallocated office and data processing equipment	**95,470**	55,831
	4,804,075	3,923,310
Depreciation of other property, plant and equipment included in relevant expense categories in the Statement of Comprehensive Income	**1,312,985**	1,140,190
	6,117,060	5,063,500
Depreciation included in capitalized expenditures	**223,099**	195,117
Depreciation of property, plant and equipment	**5,843,068**	4,817,490
Depreciation of intangible assets	**50,893**	50,893
	6,117,060	5,063,500

18. INTANGIBLE ASSETS

Goodwill

Goodwill with a carrying amount of $4,648,887 [2018 - $nil] was realized upon amalgamation and the Corporation tested goodwill for impairment as at December 31, 2019.

Impairment testing of goodwill

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate that the recoverable amount of an asset may be below their carrying value. Property, plant, and equipment and intangible assets with finite lives are tested for impairment when management determines indicators of impairment exist. Significant judgment is applied in determining the non-financial assets recoverable amount and assessing whether certain indicators constitute objective evidence of impairment.

Fair values less costs of disposal were determined using a multiple of regulated rate base approach for the rate regulated assets.

Key assumptions underlying these valuations are as follows:

- The multiple of rate base approach is a valuation technique used in the industry for purchase and sale transactions involving rate-regulated local distribution company's (LDC). A multiple is applied to the value of regulated assets to determine the value of the utility;
- The multiple of rate base is a key assumption in the determination of fair value less costs of disposal for the rate-regulated assets. Management utilized a range of multiples in the analysis to determine the recoverable amount of goodwill for the rate-regulated assets;
- The multiple of rate base used with respect to the rate-regulated assets ranged from 1.4 to 1.6; and
- Management obtained information regarding multiples used for recent purchase and sale transactions within the industry.

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

Capital contributions

The Company makes payments to Hydro One for required upgrades on their metering equipment and are classified as intangible assets. In turn the Company obtains the right to use certain assets that belong to Hydro One. Capital contributions are measured at cost less accumulated depreciation.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, from the date that it was available for use. The depreciation method and useful life of the intangible asset is reviewed at each reporting date. Capital contributions are amortized at a rate of 4%.

	Capital contributions to Hydro One for wholesale meters
Cost	
Balance as of January 1, 2018	$1,272,321
Additions	-
Disposals	-
Balance as of December 31, 2018	1,272,321
Additions	-
Disposals	-
Balance as of December 31, 2019	**1,272,321**
Accumulated depreciation	
Balance as of January 1, 2018	$391,489
Depreciation for the year	50,893
Disposals	-
Balance as of December 31, 2018	442,382
Depreciation for the year	50,893
Disposals	-
Balance as of December 31, 2019	**493,275**
Carrying amounts	
At December 31, 2018	829,939
At December 31, 2019	**779,046**

See *Note 17* for details of depreciation for the year.

19. RELATED PARTY TRANSACTIONS

Transactions with related parties

The Company provides and purchases certain services from The Corporation of the City of Thunder Bay in the normal course of business at commercial rates. Significant transactions are noted below.

	2019	2018
	$	$
Pole rental revenue	**731,064**	358,203
Contributed capital on construction	**97,722**	343,598
Electricity revenues	**8,156,685**	7,803,656
Recoverable	**379,396**	73,333
Revenues	**9,364,867**	8,578,790
Rent	**347,748**	342,609
Telecommunication	**205,566**	199,487
Property taxes	**179,590**	183,351
Conservation related incentives	**32,933**	15,145
Fuel	**126,653**	-
Expenses	**892,490**	740,592
Accounts receivable	**646,613**	785,113

Key management personnel compensation comprised:

The key management personnel of the Company has been defined as members of its board of directors and executive management team members.

	2019	2018
	$	$
Compensation	**1,034,477**	965,250
Short-term employee benefits and director fees	**47,990**	45,102
Post-employment benefits	**197,370**	184,404
	1,279,837	1,194,756

20. INVENTORY

Cost of inventory is comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value.

The amount of inventories consumed by the Company and recognized as an expense during 2019 was $446,179 [2018 - $261,986].

21. SHARE CAPITAL

Ordinary shares

An unlimited number of common shares are authorized for issue and unlimited non-voting Class A Common shares. There are no Preference shares.

As of December 31, 2019, the Company has issued and fully paid 1,061 [2018 - 1,061] Common shares.

All shares are ranked equally with regards to the Company's residual assets.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at all financial institutions, with maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Financial assets

Financial assets are comprised of cash and cash equivalents, cash-restricted, investments, trade and other accounts receivable ("accounts receivable") and unbilled service revenue. Cash is classified and measured at fair value. Accounts receivable and unbilled service revenue are initially recognized and measured at fair value on the date on which they originated. Accounts receivable and unbilled revenue subsequently classified and measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss. Due to the short term nature, the carrying amounts of accounts receivable and unbilled service revenue approximates their fair value.

Collectability of accounts receivable and unbilled service revenue is reviewed on an ongoing basis. The Company measures the loss allowance at an amount that approximates the lifetime expected credit loss (ECL) for accounts receivables and unbilled service revenue. The lifetime ECL is estimated based on the expected losses over the expected life of the accounts receivable arising from possible default events occurring in the lifetime of the instrument. The Company develops loss rates based on historical default and loss experiences for customer groups, adjusted for current economic conditions. This basis is used as the Company's customers have remained relatively consistent year over year.

The Company assumes that credit risk on a financial asset has increased if it is more than 30 days past due date.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company, such as realising security (if any is held).

If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

Financial liabilities

Accounts payable and accrued liabilities, note payable to the City of Thunder Bay, customer deposits and deferred contributions, long-term debt and other payables are initially recognized and measured at fair value on the date which they originated. Subsequently they and are classified and measured at amortized cost.

Customer Deposits

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

Finance income comprises of interest income on funds invested such as cash and short-term investments. Interest income is recognized as it accrues in the consolidated Statement of Comprehensive Income, using the effective interest method.

Finance cost comprises of interest payable on debt recognized on financial assets and net interest on employee future benefits.

	2019	2018
	$	$
Finance Income:		
Interest income on bank deposits	**396,277**	239,880
Finance Cost:		
Interest on debt	**1,514,749**	1,292,113
Net interest on employee future benefits [note 11]	**65,114**	89,123
	1,579,863	1,381,236

The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

i. Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in each City. No single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the consolidated Statement of Comprehensive Income. Subsequent recoveries of receivables previously provisioned are credited to the consolidated Statement of Comprehensive Income. The balance of the allowance for impairment at December 31, 2019 is $457,133 [2018 - $518,928]. An impairment loss of $126,090 [2018 - $64,480] was recognized during the year. The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019 approximately $1,210,440 [2018 - $1,000,177] is considered 60 days past due. The Company has approximately 57,000 customers, the majority of which are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2019, the Company holds security deposits in the amount of $1,375,227 [2018 - $1,275,179].

ii. Market risk:

The Company is not exposed to significant market risk given they do not have investments in foreign currency, and have minimal investment in interest bearing instruments.

iii. Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a $6,395,495 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The Company has access to a non-revolving credit facility with Infrastructure Ontario for $19,855,000 to finance the Company's capital infrastructure and equipment purchases maturing December 2020. As at December 31, 2019, $13,306.000 [2018 - $7,306,000] was withdrawn on this credit facility.

The Company has a letter of credit available in the amount of $9,708,637 [2018 - $9,708,637] to support the Company's prudential requirements with the IESO. In addition, the Company holds a T-Bill with a face value of $639,499 [2018 - $nil]. Interest of 1.52% is payable on maturity in June 2020.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 12 months $	**Between 1-5 years** $	**Over 5 years** $
At December 31, 2019			
Accounts payable and accrued liabilities	**15,631,447**	-	-
Customer deposits and deferred contributions	**1,883,754**	-	-
Due to parent company	**-**	-	**978,554**
Note payable to The Corporation of the City of Thunder Bay	**-**	-	**26,490,500**
Long-term debt	**2,172,274**	**9,327,606**	**29,818,250**
	19,687,475	**9,327,606**	**57,287,304**
At December 31, 2018			
Accounts payable and accrued liabilities	14,546,234	-	-
Customer deposits and deferred contributions	2,063,565	-	-
Due to parent company	-	-	799,519
Note payable to The Corporation of the City of Thunder Bay	**-**	-	26,490,500
Long-term debt	1,864,986	8,377,716	22,833,875
	18,474,785	8,377,716	50,123,894

23. CAPITAL MANAGEMENT

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

The Company's definition of capital is shareholder's equity, note payable to The Corporation of the City of Thunder Bay and long-term debt. As at December 31, 2019, shareholder's equity amounts to $88,753,378 [2018 - $75,581,920], note payable to The Corporation of the City of Thunder Bay amounts to $26,490,500 [2018 - $26,490,500] and long-term debt amounts to $36,076,577 [2018 - $31,211,591].

As at December 31, 2019, SN is subject to debt agreements that contain various covenants. SN is governed by the Shareholder Declaration which limits future borrowings, liens and provisions of security without prior written consent. The Company is also subject to a Subordination Agreement with respect to the $26,490,500 promissory note given to the City of Thunder Bay, with said Subordination Agreement providing for no acceleration rights, as approved by the lender's legal department.

SN's revolving credit facility contains a debt to capitalization ratio and a debt service coverage ratio. SN's long-term debt agreements also include positive and negative covenants such as limitations on funded indebtedness, capital expenditures restrictions on mergers, amalgamations or consolidations, and limitations on providing security or guarantees to any third party. As at December 31, 2019, SN was in compliance with the financial covenants included in its long-term debt agreements, City Note and short-term revolving credit facility.

As at December 31, 2019, TBHRPI is subject to a debt agreement that requires a debt service reserve restricted cash account in the amount of $500,000. The agreement also includes positive and negative covenants such as limitations on disbursements to the City of Thunder Bay and restrictions on changes to the current ownership structure. As at December 31, 2019, TBHRPI was in compliance with the financial covenants [note 15].

24. STATEMENT OF CASH FLOWS

During the year, property, plant and equipment were acquired as follows:

	December 31, 2019	December 31, 2018
	$	$
Aggregate	**14,359,970**	11,949,336
Funded by cash contributions *[note13]*	**(1,911,508)**	(1,206,570)
Funded by contributions in-kind *[note13]*	**(605,715)**	(81,641)
Funded by capitalized depreciation *[note 17]*	**(223,099)**	(195,117)
Funded by non-cash increase to retirement obligation *[note16]*	**173,928**	(48,817)
	11,793,576	10,417,191

25. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

There are no other standards, interpretations or amendments issued, but not yet effective that the Company anticipates may have a material effect on the consolidated financial statements once adopted.

26. NON-CONTROLLING INTERESTS

SN, a 91.69% owned subsidiary of the Company, has material non-controlling interests ("NCI") of 8.31%, owned by the Corporation of the City of Kenora. All other subsidiaries are 100% owned. The NCI does not participate in the value of Solar Assets.

Summarised financial information in relation to SN is presented below together with amounts attributable to NCI:

For the period ended December 31	**2019**
REVENUE	
Electricity sales	144,189,301
Purchased power	(118,792,401)
	25,396,900
Other revenue	5,077,423
	30,474,323
EXPENSES	
Administrative	9,242,715
Operations and maintenance	9,802,702
Other expenses	6,012,008
	25,057,425
Finance expenses	1,034,654
Income before the provision for payment in lieu of taxes	**4,382,244**
Provision for payment in lieu of taxes	1,189,432
Profit for the year before net movements in regulatory deferral account balances	**3,192,812**
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	376,661
Other comprehensive income	(216,560)
Total comprehensive income	**3,352,913**
Net earnings allocated to NCI	**266,813**
Cash flows from operating activities	7,187,276
Cash flows from investing activities	(11,468,965)
Cash flows from financing activities	4,222,360
Net cash inflow	**(59,329)**

As at December 31	2019
ASSETS	
Current assets	35,877,544
Property, plant and equipment	138,917,030
Other non-current assets	10,640,950
	185,435,524
LIABILITIES	
Current liabilities	23,260,230
Non-current liabilities	79,010,944
	102,271,174
Net regulatory deferral account balances	(21,308)
Share capital	54,521,625
Retained earnings	28,621,417
	83,143,042
Accumulated non-controlling interest	**11,905,813**

27. COMPARATIVE FIGURES

Prior period presentation of regulatory deferral account balances have changed as a result of current year presentation. The associated carrying charges have been presented separately from their regulatory account balances.

	Previously Reported $	Restated $
Regulatory deferral account debit balances and related deferred tax	181,163	731,305
Regulatory deferral account credit balances and related deferred tax	(132,821)	(682,963)
	48,342	48,342

28. SUBSEQUENT EVENTS

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. If the impacts of COVID-19 continue, there could be an impact on the Corporation and its customers that could impact the timing and amounts realized on the Corporation's accounts receivable. At this time, the full potential impact of COVID-19 on the Corporation is not known.

Thunder Bay Hydro Corporation
CONSOLIDATED Schedule - Expenses

Year ended December 31	**2019**	2018
	$	$
OPERATIONS AND MAINTENANCE		
Customer premises/meters and devices	**428,546**	298,540
Distribution	**6,559,321**	5,978,454
Safety and training	**511,722**	462,181
System control/station maintenance	**1,924,816**	1,934,056
Transformer	**378,297**	639,382
Total operations and maintenance expenses	**9,802,702**	9,312,613
UTILITY SERVICES		
Meter service provider	**52,758**	43,363
Utility management services	**78,861**	251,825
Other utility services	**147,426**	102,251
	279,045	397,439
ADMINISTRATION		
Bad debts	**126,090**	64,480
Billing and collecting	**1,273,659**	1,190,552
Customer information service	**1,080,868**	846,001
Information services	**1,175,873**	960,564
Meter reading	**328,409**	303,051
Recoverable	**763,706**	281,324
Total customer - related administration expenses	**4,748,605**	3,645,972
General		
Corporate	**1,123,921**	1,094,225
Directors' expenses	**135,214**	125,644
Finance	**1,374,185**	1,111,191
Human resources	**381,739**	386,606
President's office	**487,564**	416,540
Power systems administration	**362,317**	307,906
Renewable generation administration	**65,726**	58,150
Solar pv generation direct costs	**317,185**	323,442
Purchasing	**245,818**	216,598
Disruptive technology	**8,048**	23,045
Total general administration expenses	**4,501,717**	4,063,347
Total administration expenses	**9,250,322**	7,709,319

THUNDER BAY HYDRO CORPORATION
19th ANNUAL MEETING

MINUTES

MONDAY, May 27, 2019, 5:00 P.M.
MCNAUGHTON ROOM, CITY HALL
500 DONALD ST. E., THUNDER BAY, ON

DRAFT

Attending on behalf of the Shareholder:

R. Johnson (A/Mayor)	M. Bentz
A. Foulds	C. Fraser
T. Giertuga	B. Hamilton
B. McKinnon	A. Ruberto
P. You	

Attending on behalf of Thunder Bay Hydro:

G. Armstrong (Chair)
H. Multamaki (Vice Chair)
R. Mace (President & CEO)
L. Mills (Recording Secretary)

Other:
K. Power, Deputy City Clerk
K. Marshall, GM Infrastructure & Operations, CTB
L. Evans, GM Corporate Services & Long Term Care, CTB
M. Grimaldi, Solicitor, CTB
A. Covello, VP Human Resources and Health & Safety, TBH
T. Wilson, VP Customer & Information Services, TBH
D. Zimak, VP Power Systems, TBH

Public: 1 member of the Public

ORDER OF BUSINESS

1. Call to Order

Chair Armstrong called the meeting to order at 5:00 p.m.

2. Report from the Chair of Thunder Bay Hydro Corporation Board

Chair Armstrong thanked all for coming today, and acknowledged fellow Board Member H. Multamaki and Executive Management Staff: A. Covello, T. Wilson and D. Zimak. The Chair thanked and congratulated the Executive Management Team and the President & CEO on the successful Ontario Energy Board's approval of the merger between Thunder Bay Hydro Electricity Distribution Inc., and Kenora Hydro Electric Corporation Ltd., to form Synergy North. The Chair remarked that the merger was an exciting experience for the Board of Directors, and is pleased with the smooth transition. The Chair further touched on cuts to Conservation programming with the 2018 change in Provincial government, and assured Council that Thunder Bay Hydro Corporation is well positioned with a skilled and provincially respected Executive Management Team that has full support and confidence from the Board.

3. Report from the President of Thunder Bay Hydro Corporation

R. Mace provided an overview of the activities of Thunder Bay Hydro Utility Services Inc. and Thunder Bay Hydro Renewable Power Incorporated and their respective impacts on the Consolidated Financial Statements. Utility Services provided a dividend for the city of $350,000. Emphasis and discussion took place specific to the Mapleward Renewable Generating Station and the ongoing gas supply issue.

As presented by Mr. Mace, the 2018 highlights for Thunder Bay Hydro Electricity Distribution Inc. (Synergy North Corporation) included: the continued Distribution Infrastructure Replacement; the successful operational year of the Solar PV installations, resulting in a dividend of $75,000 to the Shareholder; the increased focus on evolving technology; cyber security; vegetation management; and merger transition items. It was noted with respect to the merger that rebranding was a success with customers, and that merger costs are below budget. Mr. Mace responded to questions from Council regarding trees and vegetation management. Councillor A. Ruberto asked that Mr. Mace produce the economic impact that Synergy North has on the City of Thunder Bay, to be provided at a later date.

4. Tabling of Resolutions

Chair Armstrong tabled resolutions for:

1. Approve the Audited Consolidated Financial Statements of Thunder Bay Hydro Corporation for the fiscal period ending December 31, 2018;

2. Appoint the firm of BDO Canada LLP as the Auditor for Thunder Bay Hydro Corporation, and Thunder Bay Hydro Renewable Power Incorporated;

3. Confirmation of Minutes of May 14, 2018, Annual Meeting of Thunder Bay Hydro Corporation;

Resolutions were moved by M. Bentz and seconded by H. Multamaki.

The meeting was temporarily suspended by Chair Armstrong at 5:59 p.m.

5. Convention of City Council Special Session Thunder Bay Hydro AGM

The Special Meeting of Thunder Bay City Council to approve, ratify and confirm as required all by-laws, resolutions, acts, contracts and proceedings of the Directors of the Thunder Bay Hydro Corporation since the last general meeting of the Shareholders of Thunder Bay Hydro Corporation was convened, held and adjourned.

Chair Armstrong reconvened the meeting at 6:00 p.m.

Chair Armstrong called the question and Deputy City Clerk Power voted on behalf of the Shareholder. The resolutions were carried.

Chair Armstrong declared the tabled resolutions as passed based on the Special Meeting of Thunder Bay City Council.

A/Mayor Johnson thanked Chair Armstrong and Mr. Mace, as well as staff and Directors, for the excellent update presentation and continued efforts over the past year, with adapting to an ever-evolving industry and a successful merger.

6. Termination of Meeting

Chair Armstrong terminated the meeting at 6:00 p.m.

____
Chair, Gary Armstrong

MEETING DATE	09/14/2020 (mm/dd/yyyy)
SUBJECT	Confirming By-law Resolution - September 14, 2020 - City Council - Special Session (Thunder Bay Hydro AGM)

SUMMARY

Confirming By-law Resolution - September 14, 2020 - City Council - Special Session Thunder Bay Hydro AGM)

RECOMMENDATION

THAT the following By-law be introduced, read, dealt with individually, engrossed, signed by the Mayor and Clerk, sealed and numbered:

1. A By-law to confirm the proceedings of a meeting of Council, this 14th day of September, 2020

   By-law Number: BL 97/2020

Memorandum

Corporate By-law Number BL 97/2020

TO:	Office of the City Clerk	**FILE:**	
FROM:	Linda Crago City Manager's Office - Office of the City Clerk		
DATE:	08/20/2020		
SUBJECT:	BL 97/2020 - Confirming By-law - Thunder Bay Hydro - Annual General Meeting		
MEETING DATE:	City Council - 09/14/2020 (mm/dd/yyyy)		

By-law Description: A By-law to confirm the proceedings of a meeting of Council, this 14th day of September, 2020.

Authorization: Committee of the Whole - 2003/02/24

By-law Explanation: To confirm the proceedings and each motion, resolution and other action passed or taken by the Council at this meeting is, except where prior approval of the Local Planning Appeal Tribunal is required, adopted, ratified and confirmed as if all such proceedings had been expressly embodied in this By-law.

Schedules and Attachments:

Amended/Repealed By-law Number(s):

THE CORPORATION OF THE CITY OF THUNDER BAY
BY-LAW NUMBER BL 97/2020

A By-law to confirm the proceedings of a meeting of Council, this 14th day of September, 2020.

Recitals

1. Subsection 5(1) of the Municipal Act, 2001, S.O. 2001 c. 25, as amended, provides that the powers of a municipal corporation are exercised by its Council. Subsection 5(3) provides that those powers are to be exercised by by-law.

2. Council considers it appropriate to confirm and adopt its proceedings at this meeting by by-law.

ACCORDINGLY, THE COUNCIL OF THE CORPORATION OF THE CITY OF THUNDER BAY ENACTS AS FOLLOWS:

1. The actions of the Council at the following meeting:

14th day of September, 2020 OPEN SESSION, CITY COUNCIL MEETING

and each motion, resolution and other action passed or taken by the Council at that meeting is, except where prior approval of The Local Planning Appeal Tribunal is required, adopted, ratified and confirmed as if all such proceedings had been expressly embodied in this By-law.

2. The Mayor and the proper officials of The Corporation of the City of Thunder Bay are authorized and directed to do all things necessary to give effect to the actions of the Council referred to in Section 1 of this By-law. In addition, the Clerk is authorized and directed to affix the corporate seal to any documents which require it.

3. This By-law shall come into force on the date it is passed.

Enacted and passed this 14th day of September, A.D. 2020 as witnessed by the Seal of the Corporation and the hands of its proper Officers.

Bill Mauro
Mayor

Dana Earle
Deputy City Clerk