Annual Report
2022

Hydro Ottawa
Holding Inc.

Best Practices Awards, Bronze – Outage Restoration Category

CS Week Expanding Excellence Award for Innovation in People and Process

Electricity Distributors Association – Customer Service Excellence Award

HRD Global 100 People Practitioners – Donna Burnett Vachon

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Who We Are

Hydro Ottawa Holding Inc. (Hydro Ottawa) is a private company wholly owned by the City of Ottawa. We own and operate four primary subsidiary companies: Hydro Ottawa Limited (electricity distribution), Portage Power (renewable energy generation), Envari (energy and utility services) and Hiboo Networks (telecommunications services).

We are a company with deep roots in the community, established through more than 100 years of providing an essential service to our nation's capital. Today, we are proud to continue our history of balancing growth with environmental stewardship and social responsibility, as we lead the way to a smart and sustainable energy future.

We are committed to being the partner of first choice for transformative energy projects in our community and to becoming the first municipally-owned utility in Canada to achieve net-zero operations.

Hydro Ottawa Holding Inc. is a Sustainable Electricity Leader™ as recognized by Electricity Canada

Our Mission

To create long-term value for our shareholder, benefitting our customers and the communities we serve

Our Vision

Hydro Ottawa – a leading partner in a smart energy future

Our Values

Teamwork, Integrity, Excellence, Service

Power As One

Together, we're building a sustainable, resilient and vibrant future for our community.

Powering forward by operating one of the greenest, safest, and most reliable electricity distribution systems in Ontario.

- 359,000 residential and commercial customers
- 1,116 km^2 service territory across Ottawa and Casselman
- 90 substations; 6,200 km+ of lines and cable

Powering forward by delivering the innovative solutions municipalities, businesses, and utilities need to cut emissions and future-proof their assets.

- Serving commercial, government and utility markets
- Three practice areas: Lighting, Electrical and Buildings
- One partner from project concept to completion

Powering forward as the region's first municipally-owned internet service provider for commercial clients, fast-tracking digital transformation.

- Ottawa-Gatineau's dedicated connectivity partner
- High-speed, 100% fibre optic network
- Enterprise-grade internet, ethernet and wavelength services

Powering forward by harnessing renewables and innovative technologies as Ontario's largest municipally-owned producer of green power.

- 131 MW of capacity (enough to power 110,000 homes)
- Run-of-river hydro, solar and landfill gas-to-energy plants
- Operations in Ontario, Québec and New York

one for sustainability. **one** for net zero. **one** for resilience. **one** for clean energy. **one for change.**

Message from the Chair of the Board and the President and Chief Executive Officer

On behalf of the Board of Directors of Hydro Ottawa Holding Inc., our management and employees, we're pleased to provide this 2022 Annual Report to our shareholder, the City of Ottawa. This marks our second progress report under our 2021-2025 Strategic Direction.

It's incredible to reflect upon how extraordinary the year 2022 was – not only for our community, but the world at large. What began as a season of high hopes following two years of a global pandemic turned into a succession of acute pressures and disruptions. For Hydro Ottawa, the concentration of these events within a single calendar year presented enormous challenges and put our resilience to the test. True to form, though, our employees demonstrated an exemplary level of commitment and professionalism, the likes of which have become hallmarks of our company's identity and culture.

Readiness for When Mother Nature Strikes (Again)

Flood of the century in 2017. Tornadoes in 2018. Flood of the *millennium* in 2019. Just when we thought we had seen it all, the most devastating weather event in our history occurred in May 2022, when a derecho swept across Ontario and Québec, leaving a trail of devastation in its wake.

We won't dwell here on the scale of the damage or our recovery efforts. These were well summarized in an after-action report submitted to Ottawa City Council in November 2022, and are likewise outlined elsewhere in this Annual Report. (We will, however, reiterate our sincere gratitude to our employees and contractor and utility partners who worked long hours, day after day, to get the lights back on for our customers).

Instead, we wish to emphasize our commitment to continuous improvement in our emergency response capabilities and the hardening of our infrastructure against the effects of climate change. With four severe weather events in six years, we've seen first-hand the devastating toll that they exact on our customers and community. At the same time, working together with our public sector and industry partners, we've been able to identify and implement solutions for boosting our preparedness. We want to assure the families, businesses and institutions who rely on Hydro Ottawa that we will be there for them no matter what Mother Nature throws at us next.

Financial Results and Performance

The costs associated with derecho restoration were significant, as were the impacts on the bottom line from an unprecedented rise in interest rates. Together, these contributed to a shortfall in net income relative to our Strategic Direction commitment for 2022 ($39.7 million versus the targeted $49 million). However, topline financial metrics were positive, with combined net revenue from our distribution, generation and energy services businesses exceeding $300 million for the first time ever.

Despite derecho-related delays, we executed well on our annual capital program, with over $150 million invested into the renewal and expansion of our distribution grid, generation infrastructure and other essential assets like technology systems. In addition, our renewable energy arm, Portage Power, increased its generation portfolio through the acquisition of two run-of-the-river hydroelectric facilities located west of Ottawa. We also launched a new subsidiary, Hiboo Networks, which will position us for further growth and diversification as a fibre optic solutions provider for commercial and institutional customers throughout the National Capital Region.

As this Annual Report goes to print, volatility in the markets has by no means abated. Our Board of Directors and management continue to exercise prudent oversight of the company's financial position and risk profile, and are confident in the robust, diverse revenue mix which underpins our long-term trajectory. We're exploring additional strategies for overcoming challenges in the current economic climate and will provide updates to our shareholder on planned action, as appropriate.

Building a Sustainable Energy Future for Our Customers and Community

Our Strategic Direction is anchored in the goal of becoming Canada's first municipally-owned utility to achieve net-zero operations. We charted a more detailed course towards this ambitious milestone in 2022 through the preparation of a formal action plan. We also generated early momentum in our journey, with the certification of our main facilities to LEED Gold status.

More broadly, we pushed ourselves to continue finding new ways of integrating environmental, social and governance (ESG) principles across our business practices. For example, no sooner had we energized our newest and largest-ever substation (Cambrian Municipal Transformer Station) than we began incorporating low-carbon design and construction techniques into plans for our next major station project, set to break ground in 2024. ESG likewise remained operative in the ongoing digital transformation of our business, with the initiation of pilot projects for optimizing electric vehicle charging through artificial intelligence and enhancing our tree trimming program through satellite imaging.

We know that the road to net zero isn't one which can be travelled solo. We therefore strengthened existing partnerships, such as the collaboration with the City of Ottawa on electric bus deployment, which is managed through our energy services business, Envari. We also expanded our network of partners, including a major engagement with the Ottawa Airport on decarbonization opportunities. Other exciting initiatives will be unveiled in 2023 and we look forward to their inclusion in our growing pipeline of signature sustainability projects with community-wide benefits.

Finally, we were pleased to maintain our long-standing practice of supporting our neighbours in need. Through a combination of employee giving and corporate donations, Hydro Ottawa contributed over $600,000 to local programs and initiatives focused on community well-being.

Looking Ahead

2022 sent the clear message that disruption is a mainstay of our business environment. It also underscored just how vital Hydro Ottawa's services are to the families, companies and institutions who rely on us. We take seriously and are proud of the essential role we play in their daily lives.

With each passing year, our conviction grows in Hydro Ottawa's unique position to provide the smart energy solutions that will power our shift to a more prosperous and sustainable future. As the world keeps on changing and testing us, we remain focused on innovating, adapting and emerging stronger so that our customers and communities can continue to thrive.

Jim Durrell, C.M., ICD.D
Chair, Board of Directors

Bryce Conrad
President and Chief Executive Officer

May 2022 Derecho – An Historic Response to an Unprecedented Event

The Most Devastating Event in Our History

On May 21, 2022, a massive storm system known as a "derecho" formed in Southwest Ontario and proceeded across the southern part of the province, continuing onward to Montreal and Québec City.

While Hydro Ottawa had been following the storm's path, nothing could have prepared us for its impact. Winds of up to 190 kilometres per hour toppled transmission towers, damaged more than 500 hydro poles and downed kilometres of power lines. There were more than 1,000 simultaneous power outages across the city, leaving approximately 180,000 customers in the dark – over 50 percent of our customers.

It quickly became apparent that this was the most devastating severe weather event in Hydro Ottawa's history – well beyond the scope of floods in 2019 and 2017, the tornadoes in 2018, or the ice storm in 1998. The derecho resulted in $24 million in costs for Hydro Ottawa and was the sixth most expensive natural disaster in Canadian history.

An Exceptional Restoration Effort

The magnitude of the damage demanded an unprecedented response. From the outset, Hydro Ottawa communicated that this would be a complex, multi-day restoration effort requiring mobilization of outside help, mitigation of numerous electrical hazards, and close collaboration with public sector partners. Between our own crews and 335 additional

COMPARING OTTAWA'S BIG STORMS

SEPT 2018 TORNADOES

On September 21, 2018, a powerful storm caused tornadoes, heavy winds and lightning resulting in extensive damage to the electrical infrastructure and a major transformer station.

MAY 2022 WIND STORM

On May 21, 2022, a devastating storm caused high winds, heavy rain and lightning resulting in extensive damage to the electrical infrastructure, far worse than any other storm.

	SEPT 2018 TORNADOES	MAY 2022 WIND STORM
NUMBER OF OUTAGES	200+	1000+
CUSTOMERS WITHOUT POWER AT THE PEAK OF THE STORM	165,000	180,000
AREAS IMPACTED	SELECT AREAS	ENTIRE SERVICE TERRITORY
POLES REPLACED	88	540
CONTRACTORS WHO CAME TO ASSIST	86	335
LENGTH OF TIME TO RESTORE 50% OF OUTAGES	WITHIN 36 HRS	WITHIN 48 HRS

workers made available by other utilities and contractors, upwards of 625 personnel were in the field at any given time.

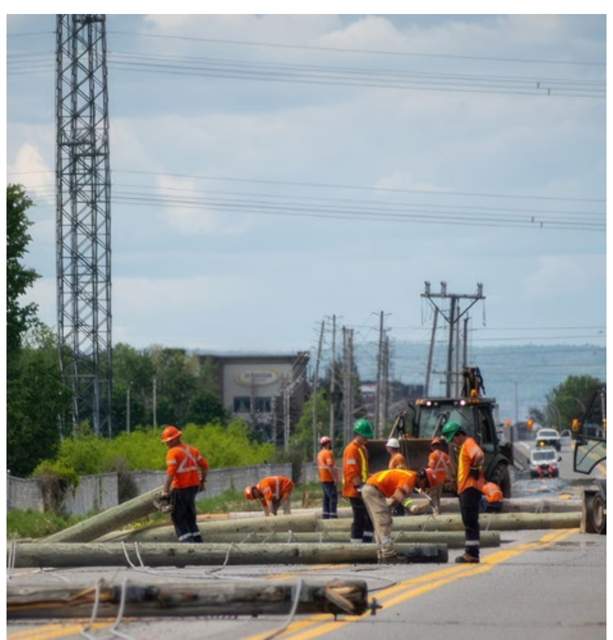
Working as quickly and safely as possible to repair the grid, we were able to restore power to critical infrastructure like hospitals and water treatment plants within one day. Fifty percent of affected customers were returned to service within 48 hours, and over 90 percent within a week. Restoration efforts continued around the clock until each remaining customer was brought back online.

Even after getting the lights back on for the last customer, we were far from full recovery. Over the ensuing weeks and months, we undertook extensive clean-up of debris and broken equipment scattered throughout our service territory. In addition, we did everything possible to stabilize the grid and ensure any fragile segments remained operational until we could make the necessary infrastructure upgrades.

Lessons Learned and Preparing for the Next Emergency

Looking back on our response, there's a lot to be proud of. Hydro Ottawa's teams worked tirelessly, kept safety top-of-mind throughout and demonstrated ingenuity in overcoming incredible challenges. In fact, we completed the equivalent of four years of emergency asset replacements to our grid over the course of the two-week outage period.

At the same time, the experience brought to light several areas where additional investment and effort would be required. Following the event, Hydro Ottawa conducted an extensive internal review which identified opportunities to strengthen our emergency response and business continuity plans. In Fall 2022, recommendations were summarized in a formal report to our shareholder, the City of Ottawa, and we remain actively engaged in integrating these learnings across our operations.



The derecho confirmed what we had already signaled through our 2021-2025 Strategic Direction – that more needs to be done to adapt our distribution and generation infrastructure to the effects of climate change. We will continue to assess and implement solutions to boost the resiliency of our system, including the strategic undergrounding of overhead assets and equipment where appropriate.

If recent history is any guide, we know that another major event will be just around the corner. Hydro Ottawa is committed to ensuring our customers can continue to rely on us to successfully navigate whatever emergency comes our way.

Hydro Ottawa wishes to thank all of our employees, neighbouring utilities, contractors, suppliers and service providers, government partners and other stakeholders who provided invaluable assistance during the restoration. We are also deeply grateful to our customers for their tremendous patience and support.

Delivering on Our Strategy

2022 Highlights

2022 HIGHLIGHTS

>$300 M in revenue (excluding power recovery)[1]	**$39.7 M** in net income[2]	**7.7%** return on equity	**$23.7 M** shareholder dividend (based on 2021 results)
93% customer satisfaction rating	**$64 M** invested to keep distribution system safe and reliable[3]	**6,500** new customers connected	**62%** e-billing rate (highest in Ontario)
>1 M hrs worked without lost time injury	**53 hrs** safe work practices training per trades employee	**$10 M** invested in next-generation technology	**45%** female Board Directors
$166,000 raised for United Way through annual employee campaign	**$149,000** raised for Ottawa Food Bank	**38** community group sponsorships and donations	**>18,000** students educated on electricity safety and conservation
2 hydropower stations added to our green energy portfolio	**224** EV charger installations enabled[4]	**45%** goods and services procured from local suppliers[5]	**95%** non-hazardous waste diversion rate

1 This non-GAAP financial measure reflects combined revenue from our distribution, renewable generation and energy services businesses. It does not include the cost of power recovered from customers through provincially established rates.

2 This figure represents net income after net movements in regulatory balances.

3 This does not include emergency spending related to post-derecho restoration.

4 These EV chargers were either installed by our energy services affiliate, Envari, or received funding through Hydro Ottawa Limited's delivery of Natural Resources Canada's Zero-Emission Vehicle Infrastructure Program funds.

5 "Local suppliers" in this context means located within a 100 km radius of the National Capital Region.

Customer Value

The essence of Hydro Ottawa's business strategy is to put the customer at the centre of everything we do.

In many ways, the most critical customer service initiative we undertook in 2022 was the unprecedented mobilization of resources to respond to the May 21st derecho as quickly and safely as possible. Please see pages 6–9 of this report for more information on our historic restoration effort.

A Reliable, Modernized Grid

The derecho had an unavoidable impact on Hydro Ottawa's core reliability metrics in 2022. Nevertheless, when adverse events like the derecho and loss of supply from the provincial grid are excluded, we beat our target for the average number of outages experienced by customers. Year-over-year performance likewise continued to trend well, including in relation to our peers in Ontario's distribution sector.

Similarly, although certain projects were delayed or deferred due to the storm's impacts, we renewed and expanded our distribution infrastructure consistent with our OEB-approved 2021-2025 rate plan. This included $64 million to replace aging infrastructure, relieve system constraints and increase supply capacity. An additional $47 million was invested to meet growing demand and connect new customers.

We also progressed in our multi-year initiative to further elevate the intelligence and resilience of our network by automating outage restoration, better withstanding severe weather, and expanding options for customers interested in distributed generation and energy storage.

Cambrian Municipal Transformer Station is our newest and largest substation. Completed on time and on budget, the station will support future residential and commercial growth in the southern part of our service territory.

A Trusted Partner for Sustainable Energy Solutions

With customers increasingly interested in using energy more sustainably, we continued to provide our expertise to businesses and institutions seeking efficiency, electrification and emissions-reduction solutions. We added bench strength to our in-house conservation team, bringing additional capacity to implement energy savings and demand reduction programs for customers.

In addition, we supported numerous initiatives to incentivize customer adoption of electric vehicles (EVs), such as distributing federal funding for EV chargers and facilitating EV car sharing at community housing complexes. A pilot project known as "EV Everywhere" was also launched in partnership with a local innovator, BluWave-ai. The project will optimize EV charging through artificial intelligence, with an eye towards helping customers save money on their bills and reducing the need for capital upgrades to the grid as more EVs come online.

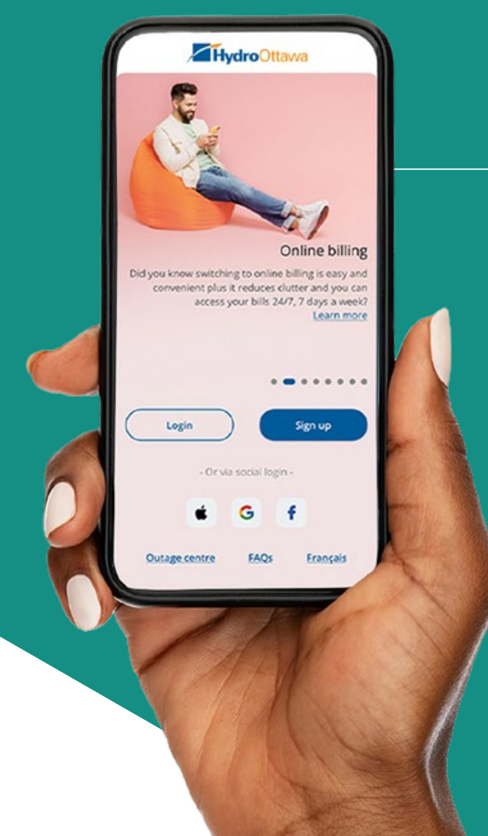
Enhancing Customer Choice and Convenience through Digital Services

When it comes to accessing Hydro Ottawa's services, we know that customers want a fast and easy experience. Expanding access to self-serve options, automating our service systems and further equipping customers to communicate with us through a channel of their choice remained key priorities in 2022. Registrations across all of our major digital service platforms increased and as of year-end were the following (all figures represent percentages of our total customer base):

72%
MyAccount online portal

62%
E-billing

30%
Automated payments



Our e-billing rate remains the highest among Ontario utilities and the second highest in Canada.

We are pleased to report that our recent trend of high customer satisfaction continued in 2022, with the company achieving an overall score of 93 percent.

Financial Strength

Following two difficult years caused by COVID-19, 2022 featured its own set of disruptions which significantly impacted Hydro Ottawa's financial performance – the May 21st derecho and an unprecedented rise in interest rates. The total price tag associated with storm response and recovery was approximately $24 million, with direct impacts of almost $6 million on net income. The 400 basis points increase in interest rates over the course of 2022 likewise adversely affected net income by almost $4 million. However, its impact was lessened thanks to reduced borrowing costs enabled by the company's short-term financing program.

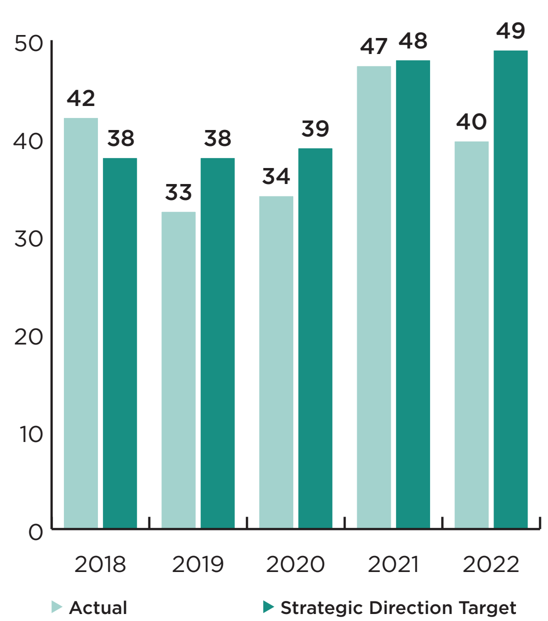
As a result, several core financial metrics in 2022 weakened relative to the previous year. Consolidated net income was $39.7 million, which was below the target in our 2021-2025 Strategic Direction. Similarly, our consolidated return on equity was 7.7 percent, representing a one-fifth decrease from 2021.

Notwithstanding the additional expenses associated with the exceptional challenges of 2022, Hydro Ottawa achieved several important financial milestones. Our diversified revenue profile showed its strength, with combined revenue from our distribution, generation and energy services businesses exceeding $300 million for the first time. In addition, the $23.7 million dividend (based on 2021 results) paid to our shareholder, the City of Ottawa, was the largest in the company's history.

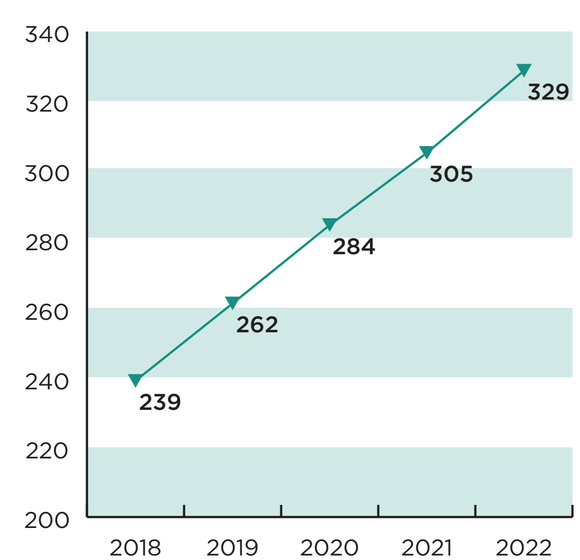
Electricity Distribution

Despite the derecho's impacts, our distribution business remained the largest contributor to net income. In light of the challenges associated with the storm, cost controls and productivity gains were a major focus. In terms of efficiency, measured by lowest operating costs per customer and based on the most recent OEB distributor data, Hydro Ottawa ranked first among large distribution utilities in Ontario.

Net Income [$ millions]



Cumulative Dividends [$ millions]



Renewable Generation

Our renewable energy subsidiary, Portage Power, continued its streak of strong performance. Key factors contributing to record-high returns included successful programs for asset optimization and planned maintenance for our hydroelectric assets, as well as the best production of our generating stations in New York State since their acquisition in 2015.

A highlight for 2022 was the purchase of two run-of-the-river hydroelectric facilities located west of Ottawa. The addition of the Galetta and Appleton stations, with a combined capacity of just under 3 MW, expanded the total footprint of our green generation portfolio to 131 MW.

Energy and Utility Services

This line of business continued to rebound well following the constraints imposed by the COVID-19 pandemic. Envari achieved its strongest revenue year on record, supported in particular by partnerships with the City of Ottawa on such projects as the deployment of zero-emission buses (for which Envari helped the City to secure over $725 million in federal funding in 2022).

Envari continued its run of expanding its client base and revenue streams, with growth in demand for numerous service offerings, especially in relation to green buildings (e.g. retrofits and automation systems) and transportation electrification (e.g. EV charger installations and fleet conversion support for a major school bus operator).

Telecommunications – A New Milestone in Business Diversification

Among the most exciting developments of 2022 was the launch of Hiboo Networks, a new subsidiary that will provide fibre optic network solutions to businesses and institutions across the National Capital Region. Hiboo is slated to be ready for full market entry in 2023 and represents a unique opportunity for long-term growth.

Organizational Effectiveness

Our 2021-2025 Strategic Direction recognizes that achieving business objectives and successfully navigating through disruption and uncertainty requires a constantly learning organization, with the right skill sets, organizational capacity and culture. To that end, our strategic plan focuses on three outcomes: a safe and healthy work environment; an engaged, aligned, prepared and diverse workforce; and efficient operations that are augmented by productivity measures and advanced technology.

Excellence in Health and Safety

In carrying out our day-to-day operations, the safety of our employees and the public is always at the forefront. Noteworthy successes in our safety program in 2022 included mitigation of the numerous hazards related to electrical infrastructure damage from the derecho storm. Over the course of the restoration effort, which involved upwards of 625 crew members from Hydro Ottawa, neighbouring utilities and outside contractors in the field at the height of activity, there was only one minor medical aid injury experienced by a contractor worker.

As 2022 progressed and COVID-19 restrictions were gradually lifted, we adapted our operating procedures and updated our return to the workplace plans based on guidance from public health authorities, governments and industry regulators. We likewise updated our emergency readiness and response plans based on lessons learned from the pandemic as well as the derecho. In addition, we maintained best-in-class certifications for our Occupational Health, Safety, and Environment Management System to international standards, and provided an average of 18 hours of safe work practices training for all employees (53 hours for trades employees).

Building the Workforce of Tomorrow

The COVID-19 pandemic accelerated shifts in the labour market, including intense competition for talent. In the face of this challenge, and in support of our goal to sustain a highly skilled, knowledgeable and diverse workforce, we continued to strengthen our talent management strategies.

Key actions included enhancing our talent attraction plan, renewing our succession program, and hiring new apprentices, engineering interns and journeypersons. We also instituted a pilot project for hybrid work environments, structured around business requirements and focused on leveraging technology to optimize outcomes, connect teams and better serve customers. In addition, we continued to modernize employee learning, with instruction available in flexible, self-directed formats.

2030 Gender Equity Commitments

Hydro Ottawa has committed to achieving gender equity goals by 2030 for mission-critical positions across our workforce. Through this action, we are aiming not only to build the workforce that will be key to our future success, but to challenge ourselves to break through industry norms. See here for more information on how to join our team.

	2022	2030
Trades & Technical	10%	30%
Engineers & Engineering Interns	26%	50%
Leadership (Supervisors, Managers, Directors, Executives)	36%	50%

Enhanced Productivity through Technology and Innovation

In step with our commitment to accelerate the digital transformation of our business practices, we invested $10 million in new technologies to improve operational efficiency, customer service, cybersecurity and grid modernization. Innovative projects included piloting the use of satellite imaging to increase the precision and cost-effectiveness of our tree trimming program, developing virtual reality simulations for trades training, and installing automatic floodgates at our Chaudière Falls hydroelectric stations to improve water flows and optimize performance.

Alongside our technology investments, we contained costs by boosting productivity. Key initiatives focused on enhancing contractor performance and strengthening project management in distribution design projects.

From predictive analytics to voice recognition for customer account access, artificial intelligence is enabling Hydro Ottawa to better serve customers and transforming the way we do business.

Corporate Citizenship

A Community Company that Gives Where it Lives

As a locally-owned company that delivers an essential service, Hydro Ottawa's core mandate and purpose have always involved contributing to community well-being.

Although 2022 marked a positive turning point in the COVID-19 pandemic, we know that many in our community did not emerge from the challenges of the past few years on a firm footing. Accordingly, we responded with targeted support, raising more than $166,000 for the United Way through our annual employee fundraising campaign. An additional $149,000 was raised for the Ottawa Food Bank, with proceeds supporting home food delivery to vulnerable clients and expansion of warehouse space for food storage. This was accompanied by $288,000 in sponsorships through our Community Investment Program to nearly 40 different organizations, benefitting youth, mental health, sustainability and other initiatives essential to community well-being.

In addition, we expanded access to provincial financial assistance for customers in need through enhanced collaboration with delivery partners and greater program flexibility. The total disbursements of $132,000 in Low-Income Energy Assistance Program funding was more than the previous three years combined.

We were pleased to be able to reconnect with the community through engagement activities that were paused during the pandemic. Our employees once again provided dedicated volunteer support at signature events like Special Needs Day at the Capital Fair and the Help Santa Toy Parade, while giving back through other projects such as tree planting at local parks.

Over 100 years of serving our community

Hydro Ottawa also recognizes that being a good neighbour sometimes means answering the call for help from farther afield. Our experience recovering from the derecho reminded us of the critical importance of utility crews and contractors providing assistance following a catastrophic event. We were happy to return the favour by sending crews to Nova Scotia after Hurricane Fiona ravaged much of Atlantic Canada. In addition to getting the lights back on, our workers went above and beyond by raising money for a food program hosted by a local school that had been impacted by the damage.

Achieving and Enabling Net Zero

A hallmark of our evolution as a company has been a commitment to Environmental, Social and Governance (ESG) performance in our growth, operations and business practices. Through our 2021-2025 Strategic Direction, we set out to become the first municipally-owned utility in Canada to achieve net-zero operations, with 2030 as our target date.

This transition is intended to be a "moonshot" initiative for the company, requiring all of the innovation and ingenuity at our disposal. Several milestones were reached in 2022: development and early implementation of an action plan to guide our journey; certification of our main administrative and operational facilities to LEED Gold status; and a public engagement campaign on net-zero awareness and opportunities.

By growing our expertise and leadership in this space, we will also enable other stakeholders in our community to take similar action. Hydro Ottawa is actively assisting many local companies and institutions – big and small – in mapping out customized sustainability pathways and creating a larger net-zero energy ecosystem.

80% – year-over-year increase in the number of residential customers who generate their own electricity using rooftop solar panels. Hydro Ottawa makes it easy for customers to explore this option by posting background information on our website and providing support with connections.

Our main office and two operational centres have been certified as LEED Gold, an international benchmark for sustainability excellence.

Leading the Way to a Smart Energy Future

While 2022 brought its fair share of challenges and disruptions, Hydro Ottawa nevertheless achieved significant progress in advancing key objectives in the second year of our 2021-2025 Strategic Direction.

We proved once again that we will always have our customers' backs when an emergency strikes and that we are committed to helping build the sustainable energy future which will ensure the long-term prosperity of the communities we serve.

As we transition into the third year of our five-year strategic planning term, we look forward to enhancing our service to customers, engagement with employees, collaboration with stakeholders and value for our shareholder.

Partner of First Choice for Local Green Energy and GHG Reduction Projects

Electric Buses for Sustainable Public Transit

By transitioning its diesel fleet to non-emitting electric buses, the City of Ottawa will achieve significant reductions in operating costs and avoid upwards of 38,500 tonnes of greenhouse gas emissions every year. Hydro Ottawa is playing a lead support role in this initiative by installing and maintaining the necessary charging infrastructure, and expanding capacity of the local grid to accommodate the increased use of clean electricity.

National Capital Region's First Carbon Neutral Community

Hydro Ottawa is a partner in a first-of-its-kind district energy system which provides zero-carbon heating and cooling for the Zibi community in downtown Ottawa and Gatineau. The system will be one of only a few in North America to meet 100% of community heating needs without fossil fuels.

Energy-Efficient Streetlighting

Through Envari, we successfully partnered with the City of Ottawa to convert over 58,000 streetlights to advanced LED technology. In addition to reducing light pollution and making streets safer, this initiative has helped the City to save $5 million in energy costs and lower carbon emissions by 1,260 tonnes on an annual basis. Envari continues to engage with Ottawa and other municipalities on turnkey solutions for streetlight conversion and maintenance.

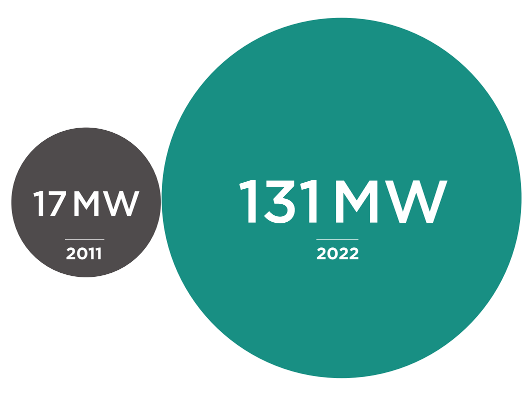
Net Zero Partnership with the Ottawa Airport

In 2022, we began a formal collaboration with the Ottawa International Airport Authority to help their energy and environmental goals take flight. This includes charting a course towards net-zero operations, decarbonizing the energy footprint at airport facilities and upgrading lighting systems.

Ontario's Largest Municipally-Owned Producer of Green Power

Portage Power, our renewable energy affiliate, owns and operates 131 MW of generation capacity, making it the largest municipally-owned producer of clean electricity in the province.

Renewable Generation Capacity



670% increase over 12 years

Sustainability and Innovation in Action

Sustainable Electricity Leader™

Hydro Ottawa has been officially designated as a Sustainable Electricity Leader™ by Electricity Canada. This best-in-class certification is anchored in international standards for social responsibility and attests to excellence in environmental, economic and community practices.

Sustainable Electricity Leader

Home to One of Eastern Ontario's Largest Pollinator Meadows

In partnership with the City of Ottawa, Rideau Valley Conservation Authority and the Canadian Wildlife Federation, Hydro Ottawa created new habitat for local pollinators like butterflies and bees on unused land next to our Cambrian transformer station. Fifteen acres were seeded as a pollinator meadow and four acres were reforested with 2,750 new trees.

Greening our Fleet

We have converted more than 40% of our vehicle fleet to flex-fuel, battery and hybrid technology. Driving our fleet emissions down through procurement of low- and zero-emission vehicles, reduced idling, optimized scheduling and route selection, and other strategies is an essential part of transitioning to net-zero operations by 2030.

SUSTAINABLE DEVELOPMENT GOALS

Green Bond Framework and Asset Management Certification – More Firsts for a Canadian Utility

Hydro Ottawa was the first municipality-owned utility in Canada to issue a Green Bond. The $291 million offering financed the refurbishment of hydroelectric generation assets and construction of our LEED Gold corporate campuses. We were also the first utility in Canada of any size or ownership structure to obtain ISO 55001 certification, the global best practice in asset management.

Together, our Green Bond Framework and ISO 55001 designation support seven of the United Nations' 17 Sustainable Development Goals for building a more peaceful and prosperous world.

Management's Discussion and Analysis

Introduction

The Management's Discussion and Analysis ['MD&A'] reviews Hydro Ottawa Holding Inc.'s financial position and financial performance and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022. The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ['IFRS'], as issued by the International Accounting Standards Board, and are expressed in thousands of Canadian dollars.

The MD&A contains forward-looking statements, including, but not limited to, statements as to future operating results and plans. These statements reflect management's expectations as of April 20, 2023, the date of approval of the consolidated financial statements. The impacts of risks and uncertainties may cause actual results, performances, or achievements to differ materially from those projected here.

Core Businesses and Strategy

Company Profile

Hydro Ottawa Holding Inc. ['Hydro Ottawa', 'the Company' or 'the Corporation'] is 100 percent owned by the City of Ottawa. It is a private company, registered under Ontario's *Business Corporations Act*, and overseen by an independent Board of Directors consisting of the President and Chief Executive Officer and 12 members appointed by City Council. The core businesses of the Corporation are electricity distribution, renewable energy generation, and energy and utility services. Hydro Ottawa owns and operates four primary subsidiary companies.

Hydro Ottawa Limited, the first of these subsidiaries, is a regulated electricity local distribution company ['LDC'] operating in the City of Ottawa and the Village of Casselman. As the third largest municipally-owned electrical utility in Ontario, Hydro Ottawa Limited maintains one of the safest, most reliable, and cost-effective electricity distribution systems in the province, serving approximately 359,000 residential and commercial customers across 1,116 square kilometres.

Energy Ottawa Inc. ['Portage Power'], the second of these subsidiaries, operates under the brand Portage Power and is the largest Ontario-based, municipally-owned producer of green power. Portage Power owns and operates six run-of-the-river hydroelectric generation plants at Chaudière Falls near Ottawa's core, along with the historic Ottawa River Ring Dam, and 12 other run-of-the-river facilities in Ontario and New York. It also holds interests in two landfill gas-to-energy joint ventures that produce clean, renewable energy from landfill gas at the Trail Road and Laflèche landfill sites in Ottawa and in Moose Creek, Ontario. It also has 16 solar installations across the City of Ottawa. In total, Portage Power has 131 megawatts of installed green generation capacity – enough to power 110,000 homes.

Envari Holding Inc. ['Envari'], the third of these subsidiaries, provides energy solutions to municipalities, industrial and commercial clients, and various LDCs. Envari manages large energy transformation projects on behalf of its clients, offers a portfolio of energy-efficient and environmentally friendly products and services, and provides operations and maintenance capabilities to its customer base. Envari provides extensive energy services to the City of Ottawa while also serving a diverse and expanding client base across Eastern Ontario.

Hiboo Networks Inc. ['Hiboo'], the fourth of these subsidiaries, will provide secure, high-speed fibre optic network solutions and internet service to businesses in the Ottawa and Gatineau region. Hiboo will operate a secure, high-capacity, state-of-the-art network and will be the first municipally-owned internet service provider in the region. Hiboo expects to launch its services in the market in mid-2023.

For a list of the significant operating subsidiaries and joint ventures included in Hydro Ottawa's consolidated financial results, refer to Note 1 [Description of Business and Corporate Information] in the consolidated financial statements included in this report.

Our Strategic Direction

In 2021, Hydro Ottawa developed a new strategic plan ['2021-2025 Strategic Direction'], outlining the Company's business strategy and financial projections for the next five years.

This strategy represents both a continuation and an expansion of the robust foundation that Hydro Ottawa has built in our integrated planning and performance management framework. It retains the core elements of this framework, while responding to significant shifts in our business environment and placing a new emphasis on how sustainability and Environmental, Social, and Governance ['ESG'] factors are integrated into all of our business practices.

Strategy

The essence of Hydro Ottawa's strategy is to put the customer at the centre of everything we do. We believe that a sharp focus on the value we provide to our customers will generate positive results in all areas of performance – our financial strength and business growth, our operational efficiency and effectiveness, and our contributions to the well-being of our community.

In addition, our 2021-2025 Strategic Direction strengthens our commitment to improving the sustainability of our business operations. For more than a decade, Hydro Ottawa has been on a journey of balancing growth with environmental protection and social responsibility. Our ESG performance has been inextricably linked to our ability to create long-term value and achieve our strategic objectives. This has served the company and our stakeholders very well, and forms the basis for anchoring our strategy in decisive action aimed at pursuing every opportunity – big or small – to enhance our sustainability profile.

With respect to the business, operating, and political environments in which we carry out our activity, they have all shifted significantly since the formulation of our prior strategic plan. Five key change drivers now define our strategic context: decarbonization; digitization; decentralization; diversification; and demographics. Collectively, and in varying measure, these drivers are shaping the landscape within which we will mitigate risk, seek out opportunity, and measure our performance.

Within this dynamic landscape, our strategy for the 2021-2025 period involves:

- Achieving net-zero operations by 2030;
- Becoming the partner of first choice for signature green energy and carbon reduction projects in our community;
- Accelerating digital transformation to enable sustainable business practices;
- Leveraging and promoting distributed energy resources;
- Continuing to grow and diversify our revenue sources;
- Growing our social license to operate;
- Ensuring organizational capacity, culture, and leadership to deliver in a post-pandemic environment; and
- Continuing to provide best-in-class customer service.

Our aim is to be the trusted energy advisor for our customers and our community.

As the energy needs and options of our customers and our community evolve, and as signature projects and developments proceed, Hydro Ottawa will play a leading role in helping our city to transition to a smart energy future.

We will also continue to grow shareholder value, maintaining a focus on strategic business growth within our core areas of strength. Our growth agenda involves four basic components:

- **Electricity Distribution:** expanding our grid to accommodate new customers and continuing to evaluate opportunities to increase our distribution service territory;
- **Renewable Generation:** increasing the supply of clean energy for customers by making smart investments in renewable generation;
- **Energy Services:** providing innovative and sustainable solutions to help consumers, businesses, public sector agencies, and communities meet their energy objectives through energy management, conservation, efficient streetlighting, energy generation, energy storage, district energy, and demand response opportunities, among others; and
- **Utility Services:** leveraging our assets and expertise to help other utilities to enhance the value they provide, creating new revenue streams and economies of scale.

Taken as a whole, we believe this strategy for the Company's future presents a balanced program for solid performance, adaptation to a changing business environment, and sustainable and profitable business growth.

Mission, Vision and Guiding Principles

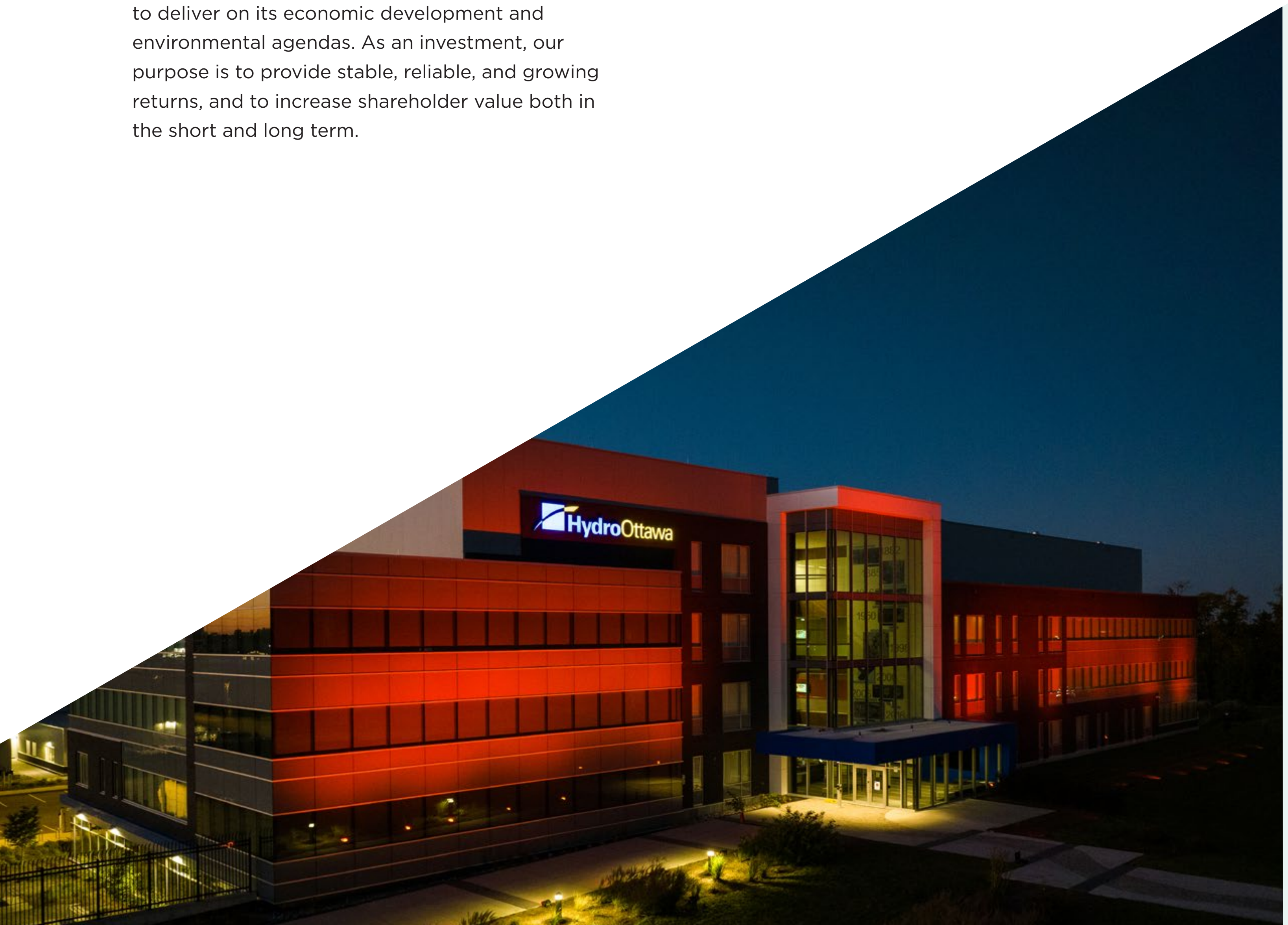
Our Mission

To create long-term value for our shareholder, benefitting our customers and the communities we serve

Hydro Ottawa is both a community asset and an investment for our shareholder, the City of Ottawa. As a community asset, our purpose is to provide efficient and reliable services and a first-class customer experience, and to continue to be a strong strategic partner with the City, helping to deliver on its economic development and environmental agendas. As an investment, our purpose is to provide stable, reliable, and growing returns, and to increase shareholder value both in the short and long term.

Our Vision

Hydro Ottawa – a leading partner in a smart energy future



Our Guiding Principles

Hydro Ottawa is committed to creating long-term value in a manner that will withstand the test of public scrutiny and inspire confidence and trust.

To that end, we strive to achieve excellent operating and financial results while abiding by professional standards of conduct. We are guided not only by legal obligations, but also by best governance and business practices, and standards established by independent agencies. These expectations provide the foundation for our commitment to all of our stakeholders, and are reflected in our organizational values, our Code of Business Conduct, and our operating policies and procedures.

These guiding principles have served Hydro Ottawa and our stakeholders well over the course of successive strategic planning cycles. They are increasingly relevant in light of rising public and private sector interest in ESG issues, and thus attest to Hydro Ottawa's leadership as a forward-thinking and purpose-driven corporation.

Our Organizational Values

At Hydro Ottawa we are committed to an organizational environment that fosters and demonstrates ethical business conduct at all levels and reflects our shared values of teamwork, integrity, excellence, and service. Every employee must lead by example in this endeavour.

Our Commitments to Our Stakeholders

Hydro Ottawa takes into account the interests of all our stakeholders including employees, customers, suppliers, our shareholder, and the communities and environment in which we operate.

Employees

The quality of our workforce is our strength and we will strive to hire and retain the best-qualified people and maximize their opportunities for success. We are committed to maintaining a safe, secure, and healthy work environment enriched by diversity and characterized by open communication, trust, and fair treatment.

Customers

Our continued success depends on the quality of our customer interactions, and we are committed to delivering value across the entire customer experience. We are honest and fair in our relationships with our customers, and provide reliable, responsive, and innovative products and services in compliance with legislated rights and standards for access, safety, health, and environmental protection.

Suppliers and Contractors

We are honest and fair in our relationships with our suppliers and contractors and purchase equipment, supplies, and services on the basis of merit, with a preference for local procurement. We pay suppliers and contractors in accordance with agreed terms, encourage them to adopt responsible business practices, and require them to adhere to our health, safety, and environment standards when working for Hydro Ottawa.

Community and the Environment

We are committed to being a responsible corporate citizen and will contribute to making the communities in which we operate better places to live and do business. We are sensitive to the community's needs, and dedicated to protecting and preserving the environment where we operate.

Shareholder and Other Suppliers of Finance

We are financially accountable to our shareholder and to the institutions that underwrite our operations, and communicate to them all matters material to our organization. We protect our shareholder's investment and manage risks effectively. We communicate to our shareholder all matters that are material to an understanding of our corporate governance.

Four Key Areas of Focus

Hydro Ottawa's success in the past has been achieved by focusing on four critical areas of performance – our Four Key Areas of Focus.

As part of our 2021-2025 Strategic Direction, we are highlighting how sustainability underpins all of our business activity across these categories of performance. In each of these areas, we have set one overarching objective:

- **Customer Value**
  We will deliver value across the entire customer experience by providing reliable, responsive, and innovative services at competitive rates;
- **Financial Strength**
  We will create sustainable growth in our business and our earnings by improving productivity and pursuing business growth opportunities that leverage our strengths – our core capabilities, our assets, and our people;
- **Organizational Effectiveness**
  We will achieve performance excellence by cultivating a culture of innovation and continuous improvement; and
- **Corporate Citizenship**
  We will contribute to the well-being of the community by acting at all times as a responsible and engaged corporate citizen.

These four areas of focus and strategic objectives will continue to guide our activities through the current plan.

Customer Value will remain the most important driver of our business strategy and will be paired with a renewed and enhanced emphasis on sustainability, including the commitment to achieve net-zero operations by 2030.

Electricity Industry Overview

Within the broader electricity sector, different entities are responsible for generating electricity, transmitting it, and delivering it to customers' homes and businesses, as well as for directing grid and market operations, and overseeing and regulating the system as a whole. These entities are different in the two markets where Hydro Ottawa operates – Ontario and New York.

Electricity Generation

Electricity is created at generating stations – nuclear, hydroelectric, gas, wind, biofuel, and solar – as well as at small-scale and primarily renewable distributed energy installations at or near end-use locations. Facilities such as nuclear and large hydroelectric stations operate continuously, while wind and solar operate intermittently. Others such as natural gas stations can start up or slow down as required to follow demand fluctuations. Hydro Ottawa, through its subsidiary, Portage Power, has a fleet of hydroelectric, landfill gas-to-energy, and solar generating stations, and is the largest Ontario-based municipally-owned producer of green power.

Electricity Transmission

Electricity is transmitted from generating stations to large industrial customers and LDCs through a high-voltage network of transformer stations, transmission towers, and wires. In Ontario, the transmission network is primarily operated by Hydro One. In New York State, the transmission system is operated by a number of private and public entities such as National Grid and the New York Power Authority, which are collectively referred to as New York Transmission Owners.

Electricity Distribution

After transmission, electricity in Ontario is distributed at lower voltages to homes, businesses, hospitals, schools, factories, and farms by LDCs such as Hydro Ottawa Limited. LDCs deal directly with electricity customers, maintain their communities' local electricity grids, and assist customers with electricity conservation programs. LDCs are the primary billing and collecting agents for all electricity sector charges. In addition, LDCs in Ontario are required to enable the connection of generators to their distribution systems, pursuant to specific regulatory criteria and to facilitate the settlement process through which a generator is paid for its electricity production. This settlement process, through which the LDC remains whole, entails payment by the Ontario LDC to the generator for both the spot market rate and any difference between the spot market rate and the contracted power purchase agreement rate with the Independent Electricity System Operator ['IESO'].

While it is always an LDC that delivers electricity through its distribution lines to a home or business, electricity customers have the choice of buying their electricity generation from either their local LDC or an electricity retailer. Most Ontario customers choose to buy from their LDC. Hydro Ottawa Limited is only engaged in electricity distribution in the Ontario market.

System Operators

The IESO connects all participants in Ontario's power system – generators that produce electricity, transmitters that send it across the province, retailers that buy and sell it, industries that use it in large quantities, and LDCs that deliver it to homes and businesses. The IESO forecasts electricity demand throughout the province in continuously updated five-minute intervals and collects offers from generators to provide the required amount. Wholesale customers can therefore see prices fluctuate based on current supply and demand, and can respond accordingly. The IESO monitors the system, identifies what is required to maintain reliability in the future, and publishes its findings in regular reports. It also coordinates emergency preparedness for the province's electricity system.

The New York Independent System Operator ['NYISO'] is at the heart of New York's electricity system, monitoring the grid and power infrastructure, administering and monitoring the wholesale electricity markets, and planning for the state's energy future. The NYISO was created to provide fair and open access to the electrical grid. New York is divided into 11 electricity zones and, within each, the NYISO is responsible for scheduling generation and load, contracting for the services necessary to maintain grid reliability, and scheduling imports and exports. The NYISO is also responsible for publishing current demand or load in real time. Hydro Ottawa's New York State assets are located in the NYISO Zone E – Mohawk Valley.

Regulatory Framework

In Ontario, the Ministry of Energy ['the Ministry'] sets the overall policy for the energy sector, guided by relevant laws and regulations. The Ministry oversees the IESO and the Ontario Energy Board ['OEB'], which regulate the energy sector as set out primarily in three statutes: the *Ontario Energy Board Act, 1998* ['OEB Act']; the *Electricity Act*, 1998; and the *Energy Consumer Protection Act, 2010*. The OEB Act establishes the authority of the OEB to approve and fix all rates for the transmission and distribution of electricity in Ontario, and to set standards of service, conduct, and reporting that must be adhered to as a condition of being licensed.

In the United States, electrical utilities and independent power producers are regulated at both the federal and state levels. Under the *Federal Power Act*, the Federal Energy Regulatory Commission ['FERC'], an independent agency within the Department of Energy, regulates the transmission and wholesale of electricity in interstate commerce. Unless otherwise exempt, any entity that owns or operates facilities used for the transmission or wholesale of electricity in interstate commerce is a public utility subject to FERC's jurisdiction. Regional system operators like NYISO are also under FERC oversight, as are privately-owned hydroelectric stations, whose operating licenses are issued by FERC.

Rates

Hydro Ottawa Limited recovers costs from customers through electricity distribution rates. These cover the costs to:

- design, build, and maintain overhead and underground distribution lines, poles, stations, and local transformers;
- operate the technology systems necessary for monitoring and controlling the distribution grid; and
- provide customer service and emergency response.

Costs and rates vary from one distributor to another, depending on factors such as the age and condition of assets, geographic terrain and distances served, population density and growth, and the ratio of residential to commercial and industrial consumers.

Hydro Ottawa Limited's distribution charge represents a portion of a residential customer's total electricity bill. Hydro Ottawa Limited bills and collects charges reflecting all electricity sector costs, extending beyond those associated with distribution, but keeps only the distribution portion. The remainder is passed on, without mark-up, to the IESO, generators, the federal and provincial governments, and the other corporate entities.

Hydro Ottawa Limited's distribution rates are set by the OEB, based on rate applications. For more information on the rate-setting framework and Hydro Ottawa Limited's rates, see Note 3(d) [Significant Accounting Policies – Regulation] to the consolidated financial statements included in this report.

Portage Power's hydroelectric, landfill gas-to-energy, and solar generation rates are set through facility-specific contracts. For those facilities delivering power to Ontario, Portage Power operates under agreements with the IESO, under which a "base contractual rate" is determined at the outset. An indexing factor is applied on an annual basis until the completion of the contract term. For hydroelectric stations located in upstate New York, Portage Power's power purchase agreements – all of which are with the Niagara Mohawk Power Corporation, a subsidiary of National Grid plc – are currently market-based. As a result, generation revenues from these stations fluctuate based on market price.

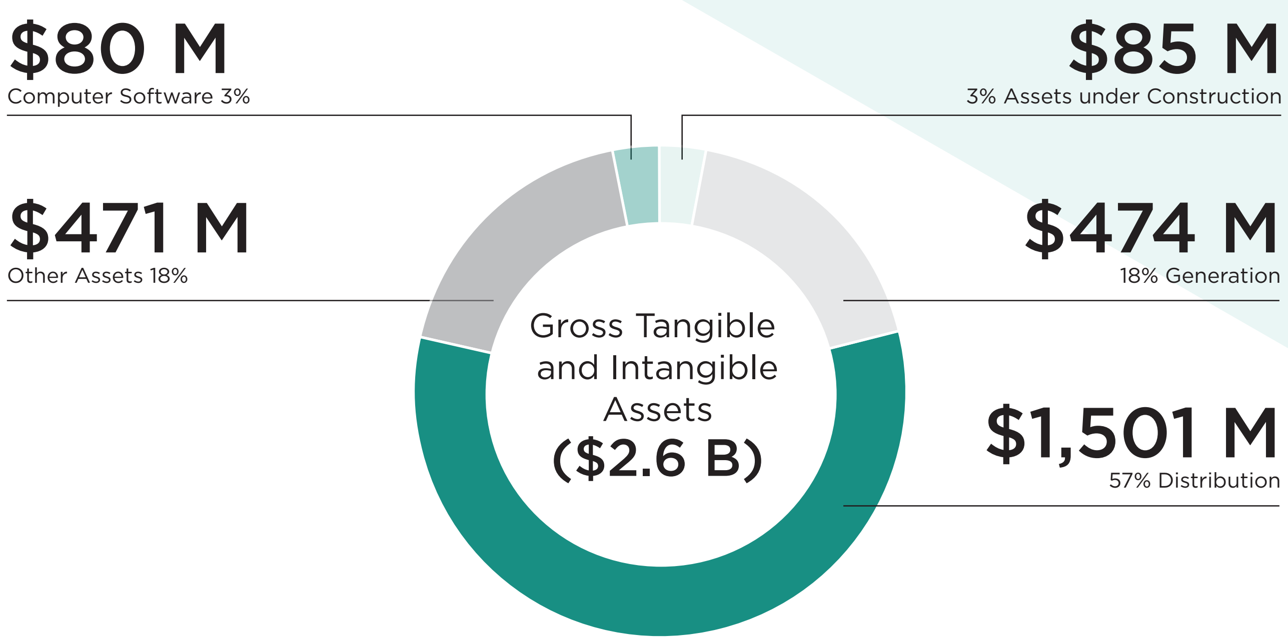
Capability to Deliver Results

Hydro Ottawa's capability to achieve the objectives set out in its Strategic Direction is a function of its tangible and intangible assets, expertise, systems, and capital resources.

Assets

Hydro Ottawa's gross asset base is $2.6 billion, with significant ongoing investments in distribution and generation infrastructure and technology systems. Like all utilities, Hydro Ottawa is affected by the reality of aging infrastructure, and continues to manage this through increased infrastructure investments and a detailed Distribution System Plan to target spending where it will have the most benefit. In 2022, the Corporation invested $79 million to maintain its distribution system and a further $47 million to expand the system to meet customer needs [see 'Investing Activities' below for more details]. In addition to its annual investments in distribution infrastructure, Hydro Ottawa incurred significant costs to repair its distribution system as a result of a devastating storm that struck the city in 2022. On May 21, 2022, a derecho [a rare widespread windstorm associated with a line of thunderstorms] developed near Sarnia, Ontario, and moved northeast across the province, ending in Québec City. This storm was the most destructive event in Hydro Ottawa's history. Damage to the local electricity grid was far greater than what was experienced after the 1998 ice storm and the 2018 tornados. At the peak of the aftermath, 180,000 Hydro Ottawa customers [over half of our total number of customers] were without power.

Within the generation portfolio, the Corporation closed the acquisition of two run-of-the-river hydroelectric generating stations located in Eastern Ontario [Galetta – 1.60 MW and Appleton – 1.35 MW] on December 2, 2022.



- **Electricity Distribution Assets**
  For more than 100 years, Hydro Ottawa and its predecessor companies have delivered a reliable supply of electricity to homes and businesses.

  - **1,116 km²** Service Area
  - **6,227 km** Circuitry
  - **90** Substations
  - **48,011** Transformers
  - **49,720** Poles

- **Renewable Generation Assets**
  Largest Ontario-based municipally-owned producer of green power with 131 megawatts of installed generation capacity, enough to power 110,000 homes.

  - **18** Run-of-the-River Hydroelectric Generating Stations
  - **2** Landfill Gas-to-Energy Plants
  - **16** Solar Installations [includes 2 behind-the-meter installations]

Workforce

A highly skilled, properly trained, and knowledgeable workforce – and a safe and healthy work environment – are essential to Hydro Ottawa's continued success.

The Company's strategic objectives will only be achieved through the efforts of an effective and constantly learning organization, with the right skill sets to deliver on existing and new business lines.

Hydro Ottawa employed over 700 people at the end of 2022 across the enterprise, with Hydro Ottawa Limited accounting for 84 percent of this workforce.

Like many other utilities, Hydro Ottawa continues to face challenging workforce demographics that require a concerted response. The Company has put in place a comprehensive and integrated talent management strategy. It is anticipating and meeting talent needs through planning, talent attraction and acquisition, effective deployment of resources, and performance management and development. More specifically, this includes:

- **Training:**
  In-house apprenticeship and engineering internship programs continued to grow in 2022, with eight new apprentices hired – bringing the total to 30, or 19 percent of the trades workforce. Thirteen apprentices reached journeyperson status and four engineering interns received their P. Eng. designation in 2022.

- **Succession:**
  Succession planning and development programs ensure that there are qualified employees in the talent pipeline for key positions.

- **Knowledge Management & Transfer:**
  A proactive approach for key positions includes an older worker and retiree engagement plan to help seamlessly transition work from the veteran workforce to the next generation.

- **Diversity, Equity & Inclusion:**
  Hydro Ottawa's strategy fosters an inclusive culture that leverages diversity and enhances employee engagement and innovation. To support the goals of its third Diversity, Equity and Inclusion Plan, Hydro Ottawa made three gender diversity commitments in 2022 – to increase women in trades and technical roles to 30%, in engineering roles to 50%, and in leadership roles to 50%, all by 2030.

- **Educational Partnerships:**
  These include, most notably, collaborations with Algonquin College to deliver the College's Powerline Technician programs in the Eastern Ontario region, and with Carleton University's Sustainable and Renewable Energy Engineering Department for the establishment of a smart grid laboratory. The latter fosters innovative research on electrical power systems and promotes the training of engineers in the smart grid environment.

Employee compensation programs continued to support a high-performance culture in 2022, and include market-driven and performance-based components to attract and retain key employees.

As Hydro Ottawa's business changes, so too does the profile of its workforce. It is increasingly diverse in age, skills, cultural and ethnic background, sexual orientation, gender identity, and in many other ways. The Company aims to create a thriving, respectful, and inclusive workplace for all.

A fundamental component of Hydro Ottawa's commitment to operating efficiently and effectively is the very high priority that is placed on protecting the health, wellness, and safety of employees and the community. Hydro Ottawa has established an integrated health, safety, and environment management system certified to international standards – ISO 45001:2018 standard for occupational health and safety management, and ISO 14001:2015 standard for environmental management.

Systems and Processes

Hydro Ottawa has made significant investments in technology systems to enhance the Company's effectiveness.

These include customer information and billing systems, advanced metering, and information and operational technologies such as geographic information systems, system control, outage management, and mobile workforce management systems. Hydro Ottawa takes the security of its critical infrastructure against cyber threats seriously, and collaborates proactively with government, regulators, and private sector partners across North America to manage this risk. Technology decisions continue to be based on three basic criteria: enhancing service to customers; creating efficiencies that will increase competitiveness; and improving functionality to be more agile and resilient in the face of industry disruption.

Hydro Ottawa is also focused on maximizing the efficiency and effectiveness of its operations by optimizing productivity at every opportunity.

Examples of initiatives undertaken in 2022 include:

- Initiated a pilot project for the use of satellite imaging in support of tree trimming, aimed at reducing manual inspections, enhancing contractor performance, and lowering program costs;
- Launched a multi-year initiative to develop a new and improved project management and delivery model for distribution design projects, which represent the majority of work performed by field crews;
- Enhanced operations at the Chaudière Falls hydroelectric stations through the installation of automatic floodgates, which will enable improved water flows and optimize asset performance;
- Implemented an improved, cloud-based platform for information technology service and asset management;
- Partnered with an Ottawa-based artificial intelligence (AI) innovator, with support from the IESO and OEB, to deploy AI solutions for managing electric vehicle charging during peak demand periods;
- Introduced an automated billing solution for net metered electricity customers, which will eliminate the need for a customized manual billing process and enable greater customer uptake of distributed energy resources ['DERs']; and
- Rolled out a modernized, mobile-enabled corporate intranet platform, with enhanced functionality, accessibility and integration with other day-to-day business systems.

Capital Resources

Liquidity and Capital Resources

The Corporation's primary sources of liquidity and capital resources are operating activities, bank credit facilities, and proceeds from commercial paper and bond issuances as and when required.

Liquidity and capital resource requirements are primarily for maintenance of the Hydro Ottawa Limited electricity distribution system, investments in generation assets, cost of power, interest expense, and prudential requirements.

On August 19, 2022, the Corporation renewed and extended its $440 million credit facility to August 2025. The credit facility is used for general operating purposes, annual capital expenditures, and to provide adequate liquidity to withstand sudden and adverse changes in economic circumstances. Additionally, the credit facility is used to backstop the Corporation's commercial paper program launched in July 2021 to better optimize short-term borrowings.

Bond issuances in the utility sector continue to be a very attractive investment in the capital markets with strong demand across all bond tenures. This provides the Corporation access to market capacity to support its ongoing investment requirements. The Corporation's existing corporate bond profile is very strong, with a weighted average maturity of 14 years at an average weighted cost of 3.49 percent. A $204-million, project-level, 40-year non-recourse amortizing bond, with $202.6 million outstanding, was issued in 2016 for the hydroelectric generation expansion at Chaudière Falls at a rate of 4.08 percent. A $290.5-million, project-level, 40-year non-recourse amortizing green bond was issued in 2019 for the refurbishment of the two generating plants in Québec at a rate of 3.53 percent. For additional details regarding the Corporation's sources of liquidity and capital resources, see Notes 11, 15, and 17 to the consolidated financial statements.

Credit Ratings

On October 19, 2022, Dominion Bond Rating Service Inc. ['DBRS'] reaffirmed Hydro Ottawa's A [low] credit rating and its stable trend.

The re-affirmed investment-grade rating confirms the sustained strength of Hydro Ottawa's operations. DBRS noted that Hydro Ottawa continues to have the following: an excellent business risk profile due to its operation under a reasonable regulatory regime for electricity distribution; a large and diverse customer base; and high credit-quality power purchase agreements for the majority of its generation assets, which provide steady, predictable, and stable cash flows.

Progress Against Plan

To ensure Hydro Ottawa makes steady progress towards achieving the corporate strategy set out in its 2021-2025 Strategic Direction, the Company has set enterprise-wide strategic objectives in each of its Four Key Areas of Focus, and established Board-approved performance goals. The table below summarizes performance in relation to goals for 2022.

Key Areas of Focus	Enterprise Strategic Objectives	2022 Performance Goals	2022 Performance Highlights
Customer Value	We will deliver value across the entire customer experience *by providing reliable, responsive, and innovative services at competitive rates*	Assist customers in managing their energy consumption and electricity costs Deliver on customer expectations for service quality and responsiveness Maintain overall distribution system reliability	▶ Responded to the May 21 derecho, the most devastating event in our history, through an unprecedented system restoration effort: • Restored service to 50% of affected customers within 48 hours; at the peak of the outages, 180,000 customers were without power [more than half of our customer base] • Completed the equivalent of four years of construction and emergency repairs in the two weeks following the storm • Incorporated lessons learned, resulting in efficient restoration of power to more than 130,000 customers affected by the Christmas holiday storm ▶ Ranked first for operating efficiency [lowest costs per customer] among large distributors in Ontario ▶ Maintained strong level of system reliability [exclusive of derecho impacts], including beating our target for outage frequency ▶ Energized Cambrian Municipal Transformer Station, our largest ever substation project, on time and within budget; the station will support future growth in the southern part of our service territory ▶ Supported customer adoption of electric vehicles [EVs] by distributing federal funding for EV chargers, partnering with innovators on EV charging enabled by artificial intelligence and facilitating EV car sharing at community housing ▶ Increased customer registration in digital service platforms, including MyAccount online portal [72% of total customers], e-billing [62%] and auto-pay [30%]; e-billing rate remains highest among electricity distributors in Ontario and second highest in Canada
Financial Strength	We will create sustainable growth in our business and our earnings *by improving productivity and pursuing business growth opportunities that leverage our strengths – our core capabilities, our assets, and our people*	Grow revenues from new sources Enhance/protect revenues from existing business lines	▶ Generated over $300M in revenue for the first time in our history [excluding power recovery] ▶ Achieved consolidated net income of $39.7M; this is 19% below our Strategic Direction target, primarily due to the May derecho and interest rate increases ▶ Achieved several milestones in our 2021-2025 Strategic Direction agenda for business growth and revenue diversification: • Assisted the City of Ottawa in securing federal funding for zero emission buses • Acquired two hydroelectric generation stations in the Ottawa area, increasing our total renewable generation capacity to 131 MW • Established collaboration agreement with the Ottawa International Airport Authority in support of its net zero and green energy objectives • Launched a telecommunications affiliate, Hiboo Networks, which will provide high-speed fibre optic solutions in the National Capital Region

Key Areas of Focus	Enterprise Strategic Objectives	2022 Performance Goals	2022 Performance Highlights
Organizational Effectiveness	We will achieve performance excellence *by cultivating a culture of innovation and continuous improvement*	Continue to enhance operational performance and productivity Maintain leading health and safety record Enhance organizational and employee capability	▶ Maintained safety as our top priority: • Provided an average of 18 hours of safe work practices training for all employees; 53 hours for trades employees • Implemented a return to work protocol based on public health guidance ▶ Continued our focus on productivity and continuous improvement, investing $10M in next-generation technology to support cybersecurity, operational efficiency, business automation and grid modernization ▶ Maintained best-in-class certifications for our Occupational Health, Safety, and Environment Management System to international standards ▶ Continued to renew our workforce through apprentice and journeyperson hiring [without increasing total positions], and through implementation of comprehensive talent management programs ▶ Strengthened our emergency readiness, response and communications capabilities by integrating lessons learned from the COVID-19 pandemic and derecho ▶ Committed to achieving gender diversity goals by 2030 for mission-critical positions across our workforce [trades, technical, engineering and leadership]
Corporate Citizenship	We will contribute to the well-being of the community *by acting at all times as a responsible and engaged corporate citizen*	Enhance our brand image in the community and the industry Continue to improve our environmental performance and reduce our impact on the environment	▶ Expanded our community and stakeholder engagement: • Leveraged online channels to interact with businesses and community groups, and educate students on electricity safety and conservation • Increased social media followers over 30% across all platforms ▶ Responded to the needs of our community through targeted support: • Raised over $166K for the United Way and nearly $150K for The Ottawa Food Bank through our annual employee charitable fundraising activities • Sponsored mental health, youth and sustainability initiatives through our Community Investment Program [$288K total] ▶ Answered the call for help by providing power restoration assistance in Nova Scotia following Hurricane Fiona; raised money to support food program at local school impacted by damage ▶ Diverted 95% of non-hazardous waste from landfill ▶ Received five awards for performance excellence, including: • National Capital Region's Top Employers [14th year] • Canada's Greenest Employers [11th year] • Electricity Distributors Association Customer Service Excellence Award • Chartwell Best Practices Award for Outage Restoration

Financial Results

The selected consolidated financial results of the Corporation presented below should be viewed in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022.

Consolidated Statement of Income [Summary]

[in thousands of Canadian dollars]	2022	IFRS 14 impact	2022 (Pre-IFRS 14)(1)	2021	IFRS 14 impact	2021 (Pre-IFRS 14)(1)	Change (Pre-IFRS 14)(1)
Revenue and other income							
Power recovery	**863,545**	**(10,710)**	**852,835**	878,684	(20,308)	858,376	(5,541)
Distribution	**209,841**	**148**	**209,989**	194,110	120	194,230	15,759
Generation	**45,336**	**-**	**45,336**	45,854	-	45,854	(518)
Commercial services	**33,572**	**-**	**33,572**	31,524	-	31,524	2,048
Conservation and demand management	**4,164**	**-**	**4,164**	2,786	-	2,786	1,378
Business interruption proceeds	**-**	**-**	**-**	2	-	2	(2)
Other	**13,191**	**-**	**13,191**	11,617	-	11,617	1,574
	1,169,649	**(10,562)**	**1,159,087**	1,164,577	(20,188)	1,144,389	14,698
Expenses							
Purchased power	**863,139**	**(34,063)**	**829,076**	867,358	(22,310)	845,048	(15,972)
Operating costs	**160,624**	**(233)**	**160,391**	135,907	90	135,997	24,394
Depreciation and amortization	**76,199**	**-**	**76,199**	70,787	-	70,787	5,412
	1,099,962	**(34,296)**	**1,065,666**	1,074,052	(22,220)	1,051,832	13,834
Income before undernoted items	**69,687**	**23,734**	**93,421**	90,525	2,032	92,557	864
Financing costs, interest income and taxes	**64,839**	**(11,533)**	**53,306**	58,586	(12,587)	45,999	7,307
Share of loss (profit) from joint ventures	**441**	**-**	**441**	(798)	-	(798)	1,239
	65,280	**(11,533)**	**53,747**	57,788	(12,587)	45,201	8,546
Net income	**4,407**	**35,267**	**39,674**	32,737	14,619	47,356	(7,682)
Net movements in regulatory balances, net of tax	**35,267**	**(35,267)**	**-**	14,619	(14,619)	-	-
Net income after net movements in regulatory balances	**39,674**	**-**	**39,674**	47,356	-	47,356	(7,682)

(1) Non-GAAP financial measure

Non-GAAP Financial Measure

IFRS 14 – Regulatory Deferral Accounts requires a one-line separate presentation of the net movement within the Corporation's regulatory deferral accounts related to income [i.e. the debit and credit balances, net of taxes] within its consolidated statement of income. This net movement of regulatory balances primarily arises when there is a timing difference between the cost of power purchased and the recovery thereof. This difference is recorded as a settlement variance, representing amounts to be recovered from or refunded to customers through future billing rates approved by the OEB. Consequently, the Corporation's purchased power and power recovery line items can be significantly impacted by these timing differences. For the purposes of the analysis and interpretation of financial variances presented, management has identified and excluded impacts resulting from the adoption of IFRS 14, and used pre-IFRS 14 results as the basis for its discussion unless otherwise noted. Management believes this more accurately represents the true financial performance of the Corporation, given its rate-regulated environment as prescribed by the OEB. Readers should be cautioned that the pre-IFRS 14 non-GAAP financial measure is not a standardized measure and might not be comparable to disclosures by other entities.

Net Income

Net income decreased by $7.7 million in comparison to the previous year's results. This was largely due to an increase in operating costs, coupled with higher financing, and depreciation and amortization costs. Despite the impact of the derecho storm and interest rate hikes, the Corporation was still able to earn a profit of $39.7 million, owing to the growth in the Corporation's revenue in 2022.

On May 21, 2022, a derecho, a rare widespread windstorm associated with a line of thunderstorms, struck the Ottawa region. This resulted in significant damage to Hydro Ottawa's distribution system and damage to Hydro One's transmission system that supplies the Corporation's service territory. The total cost of the storm restoration was $24 million, representing $15.3 million in capital expenditures and $8.7 million in operating costs.

The $24.4 million increase in operating costs is explained by the derecho storm, start-up costs associated with the new telecommunications subsidiary, Hiboo Networks, and operational costs arising from the growing generation and energy services businesses. Moreover, inflationary increases and supply chain issues caused by the global COVID-19 pandemic and geopolitical events have also had an adverse effect on operating costs.

In contrast, the Corporation saw an increase in revenue of $14.7 million in comparison to the previous year. This increase was largely driven by the Corporation's regulated electricity distribution company, which saw an increase in distribution revenue of $15.8 million due to regulated increases in its electricity rates and an increase in customers, offset by a $5.5 million decrease in the cost of power recovered. Moreover, commercial services revenue and conservation and demand management ['CDM'] revenue recorded $2.0 million and $1.4 million increases, respectively. These increases in revenue were offset by corresponding increases in operating costs. The CDM programs are being wound down, as program delivery responsibility is being transferred to the IESO.

In addition to the rise in operating costs, Hydro Ottawa recorded an increase in financing costs of $6.9 million as a result of rising short-term interest rates, and an increase in depreciation and amortization of $5.4 million on account of its growing capital asset base.

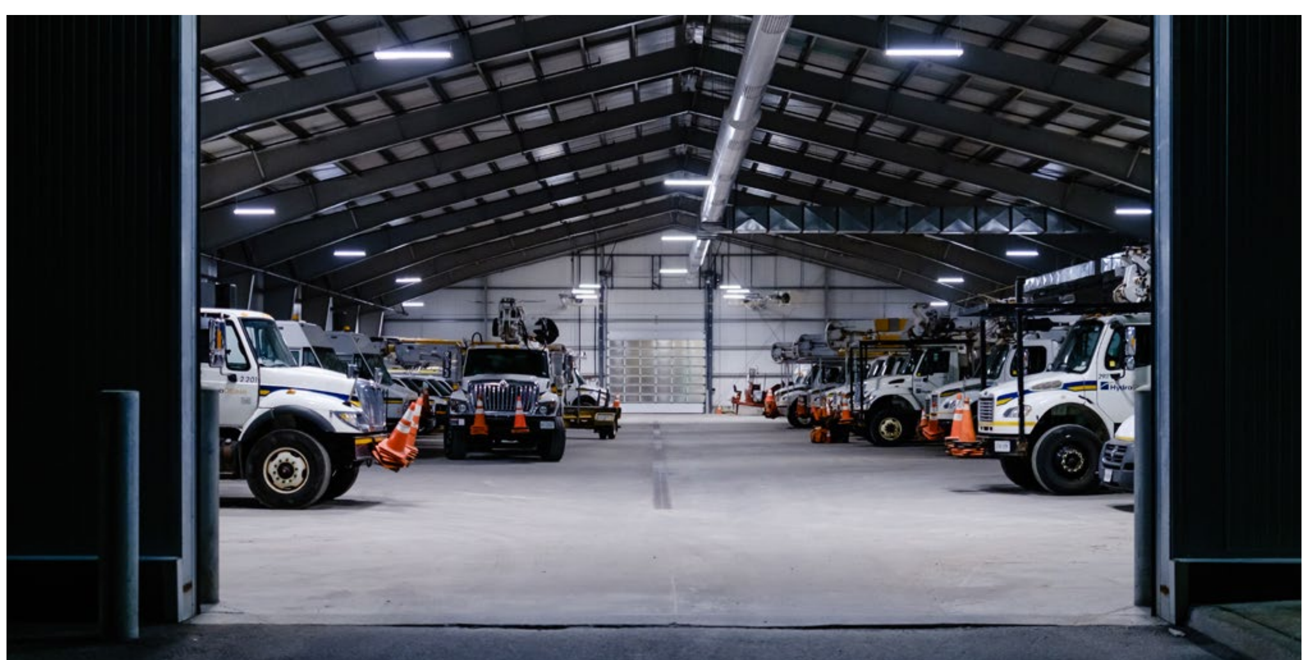
Revenue and Other Income

Revenue and other income are earned from electricity distribution, renewable energy generation, energy management and utility services, as well as from CDM programs and sundry activities. In 2022, Hydro Ottawa's total revenue, including flow-through cost of power, amounted to approximately $1.2 billion, representing an increase of one percent from the prior year.

The largest component of Hydro Ottawa's total revenue is the cost of power recovered from customers through provincially established rates. The cost of power is a flow-through amount, which poses limited risk to Hydro Ottawa's financial performance. However, variances arise between the cost of power purchased and the recovery thereof, due to timing differences in invoicing from the IESO for the former, and receipt of payment from customers for the latter. This difference is recorded as a settlement variance. Hydro Ottawa Limited's power recovery revenue decreased $5.5 million in 2022, mainly due to lower global adjustment portions of commodity charges.

Distribution revenue is recorded based on OEB-approved distribution rates, set at a level intended to recover the costs incurred by Hydro Ottawa Limited in delivering electricity to customers. The rates include revenue related to the collection of OEB-approved rate riders. 2022 marked the second year of rates approved under Hydro Ottawa Limited's 2021-2025 Custom Incentive rate application. Distribution revenue rose eight percent relative to 2021, due in large part to the regulated increases in Hydro Ottawa Limited's electricity rates and a rise in consumption.

In 2022, Envari produced a $2.6 million increase in revenue as economic activity continued to rebound. This increase in its lighting, buildings and electrical practices represented 12% growth from 2021. Business activity was supported, in particular, by forward movement on two key projects: major upgrades to electrical and heating equipment at the Robert O. Pickard Environmental Centre ['ROPEC'], Ottawa's wastewater treatment facility; and the electric vehicle charging infrastructure project for the City's Zero Emission Bus initiative.



On a stand-alone basis, Portage Power, the Corporation's renewable generation subsidiary, achieved a $9.9 million increase in revenue in comparison to the previous year. This was mostly attributable to a full year of operation of its newly refurbished Hull 2 generating station, which achieved commercial operation on May 9, 2021, and improved spot market pricing obtained by its generating plants in upstate New York. The Hull 2 facility was acquired from Hydro-Québec in December 2016 and has an installed capacity of 27 megawatts. After securing a long-term contract with the IESO to sell the electricity into the Ontario grid, an extensive refurbishment project was initiated in 2018. The refurbishment was originally scheduled to be completed in Q2 2020; however, with the impact of the spring flooding in 2019 and the COVID-19 pandemic, construction was delayed. Although Portage Power saw an increase in revenue in 2022 on a stand-alone basis, when consolidated with the LDC, the regulated electricity local distribution company, intercompany sales [Portage] and purchases [LDC] of electricity were eliminated, resulting in no impact to the Corporation's net income.

In 2019, the provincial government announced its intention to refocus and centralize delivery of CDM programs. Under the new framework, the programs are now being delivered by the IESO rather than by LDCs. To facilitate this transition, Hydro Ottawa is responsible for completing the CDM projects that were in place at the time of the announcement. This change in delivery responsibility has had an impact on Hydro Ottawa, as CDM programs have materially contributed to net income in the past.

Expenses

Purchased Power and Operating Costs

Purchased power represents the cost of electricity delivered to customers within Hydro Ottawa Limited's distribution service territory. These costs consist of the commodity charges, wholesale market service charges, transmission charges, and the global adjustment. The cost of purchased power decreased $16.0 million in 2022, mainly due to the global adjustment portion of the commodity cost. The global adjustment comprises the difference between the market rate and the contracted price for generation, and a portion of CDM programs. Operating costs in 2022 of $160.4 million were $24.4 million higher than the prior year. This increase includes $8.7 million stemming from the derecho, $1.6 million from the start-up of Hiboo Networks, and $1.3 million relating to a full year of operation of the Hull 2 plant and other generating facilities' maintenance costs. In addition, the Corporation incurred a $1.6 million decrease in costs being allocated to capital. Furthermore, the Corporation saw a $1.9 million increase in bad debts expense, as rising interest rates and high inflation have had an impact on the customers' ability to pay bills, and $1.3 million and $0.9 million increases in Envari and CDM program operating costs, respectively, which coincided with an increase in revenues.

Depreciation and Amortization

Depreciation and amortization on Hydro Ottawa's property, plant, and equipment, and on its intangible assets increased in 2022 by $5.4 million, primarily due to the ongoing investment in the Corporation's electricity distribution infrastructure and to the expansion and refurbishment of its generation assets.

Share of [Loss] Profit from Joint Ventures

In 2022, the Corporation recorded a loss of $0.4 million from joint ventures, whereas in 2021 the Corporation earned a profit of $0.8 million from joint ventures. Share of [loss] profit from joint ventures represents the Corporation's share of net [loss] profit from the continuing operations of Moose Creek Energy LP [50.05 percent] and PowerTrail Inc. [60.00 percent], both landfill gas-to-energy joint ventures. In addition, the Corporation has a 50 percent interest, with partner Dream / Theia, in Zibi Community Utility LP ['ZCU'] for the construction and operation of a district cooling and heating system for the Zibi development in downtown Ottawa-Gatineau. For more information regarding the Corporation's joint ventures, see Note 9 to the consolidated financial statements.

Financing Costs [Net of Interest Income] and Taxes

Financing costs increased $6.9 million [increased $6.6 million net of interest income] due to an increase in short-term borrowing rates resulting from the Bank of Canada's interest rate hikes. In 2022, the Bank of Canada increased its benchmark interest rate an unprecedented 400 basis points, from 0.25% in January to 4.25% in December. The impact of rising interest rates was less pronounced in 2022 as the commercial paper program was available for use for the full year, whereas in 2021 short-term borrowings were facilitated through bankers acceptances for the first half of the year until the commercial paper program was available.

The Corporation's effective tax rate increased from 31.01 percent in 2021 to 34.57 percent in 2022, as a result of permanent and temporary differences between the accounting treatment and tax basis of assets and liabilities that arose during the year. The $0.3 million decrease in income tax expense after the adoption of IFRS 14 is largely the result of a decrease in pre-tax income and temporary differences. [There was a $0.7 million increase in income tax expense pre-IFRS 14]. For more information regarding income taxes, see Note 23 to the consolidated financial statements.

Net Movement in Regulatory Balances [Net of Tax]

In accordance with IFRS 14, the Corporation has separately presented the net movement in regulatory balances in the consolidated statements of income and comprehensive income. The changes in the regulatory debit and credit balances for the year, on the consolidated balance sheet, were an increase of $30.2 million [debit] and a decrease of $3.6 million [credit], respectively. This is equal to the net movement in regulatory balances, net of tax, on the consolidated statements of income and comprehensive income [an increase of $35.3 million and a decrease of $1.5 million, respectively]. The impact of the IFRS 14 adjustments of $35.3 million is shown on the consolidated statement of income [summary]. As Hydro Ottawa Limited passes on the benefit of deferred income taxes through annual distribution rate adjustments approved by the OEB, it records a regulatory deferral account credit [or debit] balance for the amounts of deferred income taxes expected to be refunded to [or recovered from] customers in future rates.

Consolidated Balance Sheet [Summary]

[in thousands of Canadian dollars]	2022	2021	Change
Current assets	207,253	207,465	(212)
Non-current assets	2,160,238	2,068,571	91,667
Total assets	2,367,491	2,276,036	91,455
Regulatory account balances	116,513	86,374	30,139
Total assets and regulatory account balances	2,484,004	2,362,410	121,594
Current liabilities	480,211	420,076	60,135
Non-current liabilities	1,455,164	1,409,724	45,440
Total liabilities	1,935,375	1,829,800	105,575
Shareholder's equity	526,944	507,295	19,649
Total liabilities and shareholder's equity	2,462,319	2,337,095	125,224
Regulatory account balances	21,685	25,315	(3,630)
Total liabilities, shareholder's equity and regulatory account balances	2,484,004	2,362,410	121,594

Assets

Total assets increased by approximately $91.5 million in 2022. This increase is largely attributable to property, plant, and equipment, and to intangible assets, which in combination have increased by $91.8 million. This increase is a result of restoration work stemming from the derecho, continuing investments in electrical distribution and generation infrastructure, and the acquisition of the Galetta and Appleton run-of-the-river generating stations from Canadian Hydro Developers, Inc., a subsidiary of TransAlta Corporation on December 2, 2022. Conversely, the Corporation's current assets remained materially in line with the previous year, as accounts receivable and prepaids increased by $8.4 million and $1.5 million, respectively; however, cash decreased by $9.8 million. The increase in accounts receivable is largely due to an increase in unbilled electricity revenue.

Liabilities

Total liabilities increased by $105.6 million in 2022. This is due, in part, to an increase in current liabilities, which comprises a $69.7 million increase in the Corporation's bank indebtedness and commercial paper, offset by a $10.4 million decrease in accounts payable and accrued liabilities. The increase in bank indebtedness and commercial paper is mainly due to funding needs arising from the derecho and the Corporation's operations. In addition, the Corporation's non-current liabilities increased by $45.4 million due to a $27.3 million increase in the non-current portion of deferred revenue due to capital contributions received in 2022, net of amortization, and an increase of $21.2 million in deferred income taxes.

Regulatory Account Balances

IFRS 14 defines a regulatory account balance as the balance of any expense or [income] account that would not be recognized as an asset or liability in accordance with other IFRS standards, but that qualifies for deferral because it is included, or is expected to be included, by the regulator in establishing the rate[s] that can be charged to customers. As at December 31, 2022, Hydro Ottawa Limited had recognized $116.5 million in regulatory account debit balances [assets] and $21.7 million in regulatory account credit balances [liabilities].

The $30.2 million increase in regulatory account debit balances is largely due to a $23.3 million increase in settlement variances and a $12.4 million increase in the regulatory asset for deferred income taxes, offset by a $2.3 million decrease in the Other Post-Employment Benefit ['OPEB'] cash versus accrual regulatory balance, which tracks the interest on the differential of the Company's contributions to OPEB versus the accrued OPEB expense recorded in the statement of income, and a $1.3 million decrease in other variances and deferred costs.

The $3.6 million decrease in regulatory account credit balances is largely due to a $8.4 million decrease in the Regulatory Liability Refund Account ['RLRA'], offset by a $4.2 million increase in settlement variances.

Operating Activities

Cash generated by operating activities decreased by $77.0 million in 2022. The majority of this decrease relates to a $53.2 million net change in non-cash working capital, a $20.6 million unfavourable change in net movements in regulatory balances, a $7.9 million decrease in customer deposits, and a $7.7 million drop in net income after net movements in regulatory balances. The decreases in operating activities are partially offset by a $6.2 million and $5.4 million increase in add-backs for financing costs net of interest income and debt issuance costs, and depreciation and amortization, respectively.

Consolidated Statement of Cash Flows [Summary]

[in thousands of Canadian dollars]	2022	2021	Change
Bank indebtedness, beginning of year	**(5,185)**	(188,901)	183,716
Cash provided by Operating Activities	**108,410**	185,362	(76,952)
Cash used in Investing Activities	**(164,814)**	(186,486)	21,672
Cash provided by Financing Activities	**63,295**	184,840	(121,545)
Cash (bank indebtedness), end of year	**1,706**	(5,185)	6,891
Cash (bank indebtedness) consists of:			
Cash	**13,978**	23,819	(9,841)
Bank indebtedness	**(12,272)**	(29,004)	16,732
	1,706	(5,185)	6,891

Investing Activities

Cash used in investing activities decreased by $21.7 million in 2022. This decrease was largely due to the completion of the refurbishment project at Hull Energy L.P. [May 2021] and the decrease in general plant expenditures. The decrease in investing activities was partially offset by the increase in capital work stemming from the derecho, and the acquisition of the Appleton and Galetta run-of-the-river generating stations. Total investment in property, plant, and equipment and in intangible assets was $153.1 million in 2022. The chart below shows Hydro Ottawa's capital investments by category for both 2022 and 2021.

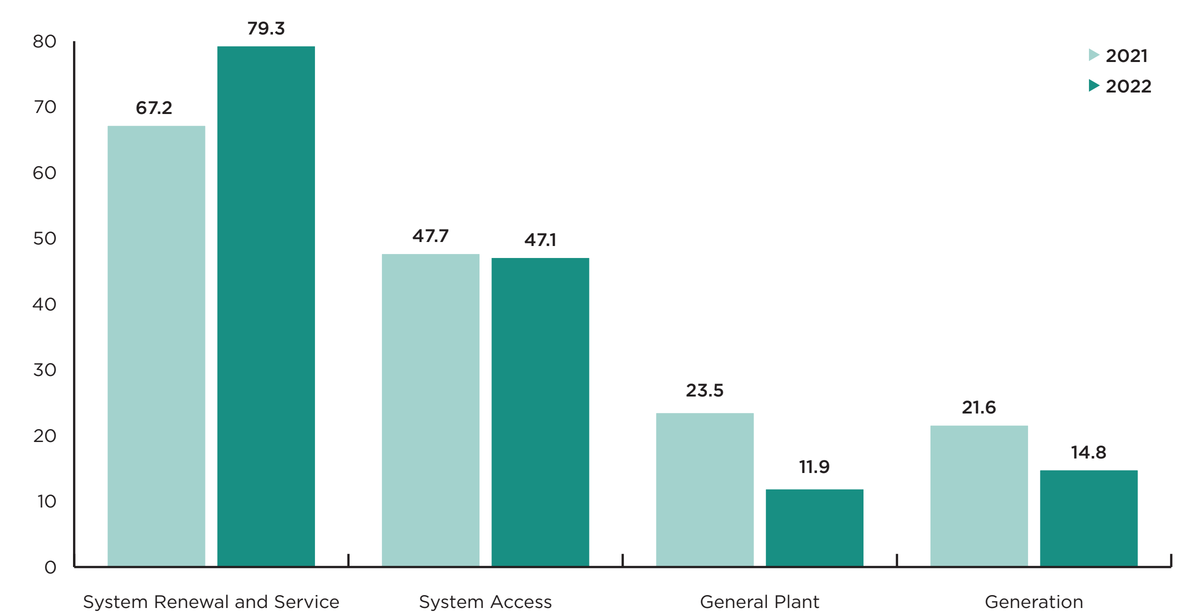
Capital investments in 2022 included the following: $79 million on system renewal and service to replace aging infrastructure and to modify the existing distribution system [this includes approximately $15 million in emergency capital spending in the wake of the May derecho]; $47 million on system access projects, including third-party-driven growth projects such as new residential or commercial installations, and municipal improvement projects; $12 million on general plant, including information technology infrastructure and fleet; and $15 million on generating plants, of which $6.6 million [including acquisition costs] relates to the acquisition of the Appleton and Galetta generating stations from Canadian Hydro Developers, Inc., a subsidiary of TransAlta Corporation.

Financing Activities

Financing activities include dividends paid to the shareholder, the City of Ottawa, as well as proceeds from the issuance of long-term debt and commercial paper.

On July 7, 2021, Hydro Ottawa launched its commercial paper program permitting the issuance of up to $400 million of unsecured short-term promissory notes to be issued in various maturities of no more than one year, and

Gross Capital Expenditures [$ millions]



bearing interest based on the prevailing market conditions at the time of issuance. During the year, the Company's average commercial paper balance outstanding increased by $27 million, from $203 million in 2021 to $230 million in 2022. As at December 31, 2022, the Corporation had $276.4 million in commercial paper outstanding.

In 2022, dividends were paid to the Shareholder, the City of Ottawa, in accordance with the approved dividend policy. The 2022 payment totaled $23.7 million based on 2021 results, and the 2021 payment totaled $20.8 million based on 2020 results. Subsequent to year-end, the Board of Directors declared a $20.0 million dividend based on 2022 results.

Accounting Matters

Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements, in conformity with IFRS, requires management to make estimates, judgments, and assumptions that affect the reported amounts of consolidated revenues, expenses, assets, and liabilities, and requires disclosure of commitments and contingencies as of the date of the consolidated financial statements.

These estimates and judgments are based on historical experience, current conditions, and various other assumptions, including the impact of the COVID-19 pandemic, believed to be reasonable under the circumstances. Because they involve varying degrees of uncertainty, the amounts currently reported in the consolidated financial statements could prove to be inaccurate in the future.

Significant areas where estimates and judgments are made in the application of IFRS are as follows [as discussed in Note 2(d) to the consolidated financial statements]:

- Accounts receivable
- Regulatory balances
- Revenue recognition
- Useful lives of depreciable assets
- Impairment of non-financial assets
- Employee future benefits
- Capital contributions
- Deferred Income taxes

Risks and Uncertainties

Hydro Ottawa has adopted a systematic approach to the management of risks and uncertainties, which is integrated into business processes and the quarterly reporting of organizational performance. Capabilities and processes have been built organization-wide for the effective identification of, and timely responses to, events likely to impede the achievement of corporate objectives.

The Corporation's Enterprise Risk Management ['ERM'] framework, established by the Board of Directors in 2006 and renewed annually, consolidates quarterly risk reporting to the President and Chief Executive Officer, and to the Board. Reporting highlights potential risk factors that may have an impact upon Hydro Ottawa's near-term and long-term business objectives and Strategic Direction. The ERM program supports and complements the Corporation's strategic planning and annual business planning cycles, through updated environmental scans and periodic review of planning assumptions.

Hydro Ottawa monitors sources and factors of risk that are structural to the industry and to the Corporation's lines of business. These include, but are not restricted to, the following: the weather; the policy and regulatory environment; the state of the economy and macro-economic trends; the state of financial markets and of investment in the utilities space; government policies relating to the production and procurement of renewable and clean energy, as well as carbon emissions and conservation; the pace and nature of changes in technology, including the convergence of information technology and operational technology; cybersecurity; labour force demographics, with a particular emphasis on the renewal of human resources in the trades; the course and consequences of climate change; and hazards, including extreme weather events, which could significantly affect the socio-economic and physical environment; and the impact of fiscal policies on the Corporation's customers. In combination, these sources of risk will shape the evolution of the industry, which could in turn present new and emerging risks that the Corporation needs to manage effectively.

The description of risks below is not intended to be comprehensive and does not include all possible risks. The actual impact of any risk event may vary substantially from what is anticipated or described below. The sources and factors of risk analyzed below are interrelated to a great extent. They may quite possibly converge as a cause or consequence of one another. Thus, the cumulative impact of multiple risk events occurring within a relatively short time frame must be considered. Additionally, other risks may arise that may not currently be considered material but may become material in the future.

Policy and Regulatory Environment

Uncertainty Regarding Long-Term Policy Direction for the Electricity Sector in Ontario

The Ontario provincial government may pass legislation or issue regulations at any time that could directly affect the Corporation's electricity distribution and electricity generation businesses. For example, the government may direct the OEB to ensure a reduction in electricity distribution rates or the IESO to lower the price at which it purchases electricity from generation companies.

The government's policy posture and regulations on climate change response, including incentives for investment in more sustainable infrastructure and energy solutions, could have an impact on the Corporation's energy and infrastructure business. Although there are some clear indications that grid transformation and energy transition will be priorities for the provincial government, there is still considerable uncertainty around the policy and regulatory stance with regard to the role it envisages for incumbent LDCs and electricity generation companies in anticipating and meeting the requirements of a DER environment.

The climate of uncertainty may affect future investment in renewable energy generation, emerging grid technologies, refurbishment of energy infrastructure, and energy management services – all key pillars of growth identified by the Corporation in its 2021-2025 Strategic Direction.

Custom Incentive Rate Application for 2021-2025

Hydro Ottawa's electricity distribution business has obtained approval from the OEB for its distribution rates for 2021-2025. While the Corporation expects to be able to carry out its planned programs, provide safe and reliable electricity to its customers, and earn the allowed rate of return, there can be no assurance that the LDC's results over a multi-year period will be consistent with projections included in the approved revenue requirements. Business performance may be affected if, for example, actual loads and energy consumption vary substantially from forecast, or unanticipated capital expenditure needs to be incurred, or actual costs of operations, maintenance, administration, capital, and financing materially exceed initial projections.

Economy and Financial Markets

The state of the local, national and global economy could have a significant impact on the Corporation's business performance through factors such as interest rates, inflation, supply chain stability, and availability of market capital to fund growth. The economic climate could also have an effect on the financial strength and performance of some of Hydro Ottawa's key business partners.

Access to Capital

The Corporation is reliant on funds generated from its operations and funds secured from the capital markets to enable ongoing operations, capital expenditures, acquisitions and growth in the business. Disruptions in the capital markets could increase the Corporation's cost of capital and adversely affect its ability to fund its liquidity needs and future growth.

As Hydro Ottawa's debt matures from time to time, its ability to finance and refinance indebtedness would be largely dependent on general economic conditions and overall state of the capital markets, continued operating performance of its assets, its credit ratings, the regulatory and policy environment, the level of future interest rates, and the attractiveness of its debt instruments to capital market participants. To the extent that external sources of capital become limited or unavailable, the Corporation's ability to fund operations and execute capital expenditures and strategic investments, in accordance with its 2021-2025 Strategic Direction, may as a result be adversely affected.

Interest Rates and Credit Ratings

The Corporation has variable rate interest exposure on its short-term borrowings and Commercial Paper program, which represent approximately 20 percent of aggregate debt as at December 31, 2022. In 2022, the Bank of Canada increased its benchmark interest rate an unprecedented 400 basis points, which represented a significant increase in interest rate expense. The Corporation's interest rate exposure will also be impacted as it refinances maturing long-term debt at higher rates.

Hydro Ottawa continues to maintain an A [low] stable credit rating; however, the Corporation's continued growth in unregulated businesses may negatively affect future ratings. The consequences of a downgrade may have an adverse effect on the Corporation's financial position and its ability to raise capital in the future.

Inflation and Supply Chain Disruption

The combined effects of inflation and supply chain stresses may affect the Corporation's ability to achieve or maintain expected business results, including those outlined in its 2021-2025 Strategic Direction.

Hydro Ottawa's Strategic Direction and financial projections for the 2021-2025 cycle are based on best estimates of costs to perform work and to run operations in a sustainable manner. Persistent inflation may result in substantial variance between actual results and current assumptions.

Inflation may also exacerbate the impact of the disruption of the global supply chain. Inconsistencies in the availability or cost of a range of original equipment and spares could affect the operational efficiency of the Corporation's businesses, diminish the ability to respond to outages and customer needs, erode the capacity to manage major capital projects within budgeted costs and timelines, and undermine profitability overall. The potential paucity of affordable contractors to perform the range of specialized services procured by the Corporation may also have an adverse impact upon vital support functions and back-office operations.

Exchange Rate Fluctuations

The Corporation's functional currency is the Canadian dollar. A significant depreciation of the value of the U.S. dollar relative to the Canadian dollar may adversely affect the value of the Corporation's U.S.-based assets and related revenues. Conversely, a significant depreciation of the Canadian dollar relative to the U.S. dollar may affect the Corporation's capacity to finance additional growth in the U.S. market.

Electricity Industry

Aging Assets

Hydro Ottawa Limited has developed a long-term Distribution System Plan which takes into account the impact of climate change – in particular, changes in the frequency, severity, and pattern of occurrence of extreme weather events. While the Plan enables a high degree of resilience and responsiveness within the Corporation, there is a considerable risk of not being able to sustain the distribution business' historically high standards of reliability and operability. The fact that a substantial part of its distribution assets [29%] have already exceeded or will reach the end of their expected useful life over the next decade may aggravate this risk.

As a result of a series of rapid-onset extreme weather events since 2018, including most notably the derecho storm of 2022, Hydro Ottawa Limited has needed to absorb the risks and costs of complex and financially onerous restoration of the distribution system. The occurrence of more such extreme weather events is highly likely, though the damage they may cause and the potential financial impact that may result are difficult to estimate.

Equipment failure arising from a variety of factors, including natural factors such as extreme weather and flooding, could also adversely impact electricity generation at any of the Corporation's various facilities.

Market Prices for Electricity

Market prices for electricity fluctuate due to a number of factors: the amount of excess generating capacity relative to load in the market; the structure of the market; weather conditions that impact electrical load; growth in demand for electricity; absolute and relative prices for energy; changes in government policy; and developments in conservation and demand management.

Major Project Execution

The successful and timely completion of major projects is critical to the Corporation's long-term Strategic Direction. There are inherent risk factors in such projects: construction delays; cost overruns; equipment performance not in accordance with expectations; delays in permissions and clearances from all levels of government and their agencies; and technical issues in connecting to the grid.

Technology Infrastructure and Platforms

Hydro Ottawa's results, resilience, and business performance depend upon complex information systems, covering frontline operations [e.g. geographic information system, outage management system, supervisory control and data acquisition system] as well as back-office processes [e.g. customer information and billing systems, enterprise resource planning system]. The failure of one or more of these key systems, or a failure of the Corporation to either plan effectively for future technology needs or to transition effectively to new technology systems, could adversely impact business operations and financial results.

Complexity and Connectedness

Hydro Ottawa Limited's key systems draw upon data and signals from several hundred thousand smart devices [chiefly smart meters], as well as the related systems and web interfaces. The processing of data in many cases entails a number of automated interfaces, as well as multiple internal and external dependencies, including Ontario's Smart Metering Entity. Risks arising from the reliability and performance of any single component of this integrated network, or of the system as a whole, could lead to a disruption of key business processes.

On a smaller scale, the Corporation's infrastructure and energy management business as well as its newly-established telecommunication business face similar exposures, as they draw upon data and information from a number of devices and systems, including some that are owned by third parties.

There is growing convergence of core operational systems with enterprise information systems, along with increasing automation, and extensive use of common technology in facilitating such integration and connectivity. The complexity of this technology infrastructure, together with its interconnected nature, has the potential to heighten existing risks as well as to create new ones.

The functioning of the Corporation's technology and communications infrastructure depends to a great degree on the expertise, reliability, and resilience of third parties. There can be no assurance that the performance of these third parties will be consistent with the standards the Corporation expects.

Cybersecurity

The Corporation's reliance on information systems and expanded data transmission and exchange networks, in conjunction with the growing extent of systems and data integration within the electricity sector, increases its exposure to information security threats, including cybersecurity risks. Hydro Ottawa's information systems and information assets could be put at risk by a security breach, data corruption, or system failure at a shared resource or common service provider. Cybersecurity risks could also be aggravated by the increased prevalence of working from home.

Human Capital

Labour-Relations and Consolidation of Labour Bargaining Power

A substantial segment of Hydro Ottawa's workforce is represented by various unions. Unsuccessful future negotiations with unions present the risk of a labour disruption or dispute, which might affect the Corporation's ability to sustain the continued supply of electricity to customers or operate its electricity generation facilities, and thereby present potential risks to public safety. The Corporation may also face financial risks if the negotiated collective agreements are not consistent with its approved rates.

Following structural changes in the ownership of several of Ontario's electrical utilities, there has been a degree of consolidation of labour bargaining power within the province's electricity sector. Whether and how this consolidation might grow is difficult to determine at this stage, as is its potential impact on labour relations and service delivery.

Labour Force Demographics

Across the electricity sector, retirements are outpacing new entrants to the workforce, which could have an adverse impact on the ability of the Corporation to build a sustainable workforce and achieve its business objectives. Hydro Ottawa's investments in apprenticeships, internships, diversity, knowledge management, succession planning, and retiree and older worker engagement programs are designed to manage risks relating to workforce demographics.

Talent Attrition and Retention

The Corporation expects the market for trades, technical, and professional staff to remain intensely competitive. In such conditions, Hydro Ottawa's capacity to match or exceed the compensation and benefits offered by its comparators cannot be guaranteed. The prolonged inability to attract or retain a skilled or qualified workforce could have an adverse effect on the Corporation's service delivery and business results.

Pension Plans

The Corporation provides a defined benefit pension plan for the majority of its employees through the Ontario Municipal Employees Retirement System ['OMERS']. As OMERS is a multi-employer, contributory, defined benefit pension plan, it is not practicable to determine the Corporation's portion of pension obligations or the fair value of plan assets. Future funding shortfalls and net losses at OMERS, if any, are subject to the OMERS Sponsors Corporation Funding Management Strategy, which outlines how benefits and contributions will be modified as the OMERS Primary Plan cycles through periods of funding deficit and surplus.

Hydro Ottawa also has a separate defined benefit pension plan and a separate defined contribution pension plan for a small number of employees in the generation portfolio, with appropriate financial and investment procedures and oversight, as required by law. Pension benefit obligations and related net pension costs can be affected by volatility in the global financial and capital markets. There is no assurance that pension plan assets will earn the assumed long-term rates of return. Market-driven changes impacting the performance of the pension plan assets may result in material variations in actual returns.

Hazards and Business Continuity

Parts of the Corporation's business operations entail exposure to a range of hazards and events arising from a number of potentially inter-related factors: environmental [e.g. extreme weather; floods and earthquakes]; industrial [e.g. toxic and hazardous substances]; public health [e.g. pandemic]; public safety [e.g. civil disorder, terrorism]; structural [building or dam failure]; cybersecurity; and infrastructural [e.g. communications or transport failures].

Hydro Ottawa's Business Continuity program is designed to build capacities to respond to these events while maintaining essential operations, and to restore the business to full-scale operations when it is safe to do so. The program has demonstrated its effectiveness and resilience through a series of natural disasters since 2018, culminating in the derecho storm of 2022.

As robust as the program is, there can be no assurance that it will be able to withstand future challenges, especially if these emergencies and exceptional events should occur more often and with greater severity. Apart from creating risks to organizational resilience, hazards may also exacerbate financial risks. For example, the power and utilities sector may be required to absorb a greater proportion of the resulting losses if the insurance industry continues to reduce its coverage and offerings for such contingencies.

Outlook

Subject to the risks and uncertainties above, and notwithstanding enduring uncertainty in economic markets, Hydro Ottawa anticipates an improved financial posture for the Corporation in 2023 and throughout the remainder of the 2021-2025 Strategic Direction term.

The adverse impacts on the Corporation's financial performance in 2022 were largely attributable to factors and circumstances that were unique to the year in question – namely, the most devastating storm in Hydro Ottawa's history and an unprecedented increase of 400 basis points in the Bank of Canada's benchmark interest rate. Looking ahead, a slower pace of growth is projected relative to the original Financial Outlook in the 2021-2025 Strategic Direction, as a result of the economic challenges posed by interest rates, inflation, supply chain constraints, and other factors. Nevertheless, the Corporation's overall financial position and risk profile are conducive to sustained year-over-year earnings moving forward.

In particular, Hydro Ottawa Limited's OEB-approved 2021-2025 rate plan will continue to provide an appropriate rate of return while also enabling the capital investments that are necessary to maintain system reliability and operational effectiveness. Embedded in the plan are controls and incentives which ensure an ongoing focus on productivity and cost containment. In addition, customers can expect to benefit from the roll-out of innovative digital service offerings as well as enhanced outage management capabilities that are being implemented as part of the lessons learned exercise following the 2022 derecho.

The Corporation's non-regulated businesses likewise remain on a positive trajectory. With Portage Power having achieved its strongest revenue year on record and enlarged its generation fleet through a strategic acquisition, the renewable energy business is well-positioned for future growth and opportunities, including upcoming competitive energy supply procurements set to be administered by the IESO [for which Portage Power has qualified]. Against a backdrop of heightened interest in decarbonization, the landscape is similarly favourable for Envari, the Corporation's energy and utility services arm. With a growing roster of commercial and institutional clients pursuing sustainability objectives, an expanding portfolio of expertise and services, and a widening footprint across Eastern Ontario, Envari is strengthening its credentials as a preferred partner for carbon reduction and energy transformation projects.

The launch of Hiboo Networks, a new telecommunications affiliate, in 2022 marked a significant milestone in the diversification of the Corporation's business lines. In view of the highly competitive and complex nature of the telecommunications sector, Hiboo will concentrate its early focus on standing-up its operations and customer-facing systems, with a business plan oriented towards value creation and revenue growth over the long-term.

Finally, the Corporation anticipates continued progress in its pursuit of the goal of becoming the first municipally-owned net zero utility in Canada. This commitment anchors the 2021-2025 Strategic Direction, with 2030 as the targeted timeframe for completion. An initial action plan has been developed, with phased-in implementation and reporting milestones, and with flexibility to enable adjustments in approach depending on the evolution of decarbonization technologies and offsets, and other similar factors. As Hydro Ottawa advances along the path to net-zero operations, it intends to leverage its expertise in support of the sustainability objectives of other stakeholders and partners in the community.

Consolidated Financial Statements

Report of Management

Management is responsible for the integrity of the financial data reported by Hydro Ottawa Holding Inc. [the 'Corporation']. Fulfilling this responsibility requires the preparation and presentation of consolidated financial statements and other data using management's best judgment and estimates, as well as International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures, which provide reasonable assurance that the Corporation's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors, through the Audit Committee, ensures that management fulfills its responsibility for financial reporting and internal control. The Audit Committee consists of outside directors and, at regular meetings, reviews audit, internal control and financial reporting matters with management and external auditors. The Audit Committee has reviewed the consolidated financial statements and submitted its report to the Board of Directors.

On behalf of Management,

Bryce Conrad
President and Chief Executive Officer

Geoff Simpson
Chief Financial Officer

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Hydro Ottawa Holding Inc.

Opinion

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

- the consolidated balance sheet as at December 31, 2022
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. Other information comprises the information in Management's Discussion and Analysis.

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

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

We obtained the Management's Discussion and Analysis as at or prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

April 20, 2023

Hydro Ottawa Holding Inc.

Consolidated Statement of Income
Year ended December 31, 2022
[in thousands of Canadian dollars]

	2022	2021
	$	$
Revenue and other income		
Power recovery revenue [Note 20]	**863,545**	878,684
Distribution revenue [Note 20]	**209,841**	194,110
Generation revenue [Note 20]	**45,336**	45,854
Commercial services revenue [Note 20]	**33,572**	31,524
Other revenue [Note 20]	**13,191**	11,617
Conservation and demand management income	**4,164**	2,786
Business interruption proceeds	**-**	2
	1,169,649	1,164,577
Expenses		
Purchased power	**863,139**	867,358
Operating costs [Note 21]	**160,624**	135,907
Depreciation [Notes 6 and 8]	**65,709**	61,769
Amortization [Note 7]	**10,490**	9,018
	1,099,962	1,074,052
Income before the undernoted items	**69,687**	90,525
Financing costs [Note 22]	**45,026**	38,102
Interest income	**(1,154)**	(801)
Share of loss (profit) from joint ventures [Note 9(a)]	**441**	(798)
Income before income taxes	**25,374**	54,022
Income tax expense [Note 23]	**20,967**	21,285
Net income	**4,407**	32,737
Net movements in regulatory balances, net of tax [Note 5]	**35,267**	14,619
Net income after net movements in regulatory balances	**39,674**	47,356

Hydro Ottawa Holding Inc.

Consolidated Statement of Comprehensive Income
Year ended December 31, 2022
[in thousands of Canadian dollars]

	2022 $	2021 $
Net income after net movements in regulatory balances	**39,674**	47,356
Other comprehensive income		
Items that may be subsequently reclassified to net income		
Exchange differences on translation of foreign operations, net of tax	**2,860**	(22)
Items that will not be subsequently reclassified to net income		
Actuarial gain on post-employment benefits, net of tax	**2,313**	1,257
Net movement in regulatory balances related to other comprehensive income, net of tax	**(1,498)**	(720)
Total comprehensive income	**43,349**	47,871

Hydro Ottawa Holding Inc.

Consolidated Balance Sheet
As at December 31, 2022
[in thousands of Canadian dollars]

	2022 $	2021 $
Assets		
Current assets		
Cash	**13,978**	23,819
Accounts receivable [Note 4]	**180,874**	172,500
Income taxes receivable	**2,818**	2,677
Prepaid expenses	**5,472**	3,977
Inventory [Note 10(b)]	**1,551**	1,208
Current portion of notes receivable from related parties [Note 10]	**-**	234
Restricted cash [Note 15(b)]	**2,560**	3,050
	207,253	207,465
Non-current assets		
Property, plant and equipment [Note 6]	**1,946,822**	1,850,482
Intangible assets [Note 7]	**158,415**	162,951
Investment properties [Note 8]	**4,548**	4,616
Investments in joint ventures [Note 9(a)]	**18,486**	20,128
Notes receivable from related parties [Note 10]	**17,625**	15,741
Restricted cash [Note 15(b)]	**7,610**	7,730
Deferred income tax asset [Note 23]	**6,732**	6,923
Total assets	**2,367,491**	2,276,036
Regulatory debit balances [Note 5]	**116,513**	86,374
Total assets and regulatory balances	**2,484,004**	2,362,410
Liabilities and equity		
Current liabilities		
Bank indebtedness [Note 11]	**12,272**	29,004
Commercial paper [Note 11]	**276,390**	190,000
Accounts payable and accrued liabilities [Note 12]	**181,735**	192,139
Income taxes payable	**-**	930
Deferred revenue [Note 13]	**7,458**	6,831
Current portion of long-term debt [Note 15]	**2,356**	1,172
	480,211	420,076
Non-current liabilities		
Deferred revenue [Note 13]	**238,443**	211,181
Employee future benefits [Note 14]	**12,642**	16,231
Customer deposits	**19,481**	19,133
Long-term debt [Notes 15 and 25]	**1,075,648**	1,075,790
Deferred income tax liability [Note 23]	**106,872**	85,633
Other liabilities [Note 16]	**2,078**	1,756
Total liabilities	**1,935,375**	1,829,800
Equity		
Share capital [Note 18]	**228,453**	228,453
Accumulated other comprehensive income	**4,994**	1,319
Retained earnings	**293,497**	277,523
Total liabilities and equity	**2,462,319**	2,337,095
Regulatory credit balances [Note 5]	**21,685**	25,315
Total liabilities, equity and regulatory balances	**2,484,004**	2,362,410

Contingent liabilities and commitments [Notes 26 and 27]

On behalf of the Board:

Director

Director

Hydro Ottawa Holding Inc.

Consolidated Statement of Changes in Equity
Year ended December 31, 2022
[in thousands of Canadian dollars]

	Share capital $	Accumulated other comprehensive income $	Retained earnings $	Total $
Balance at December 31, 2020	228,453	804	250,967	480,224
Net income after net movements in regulatory balances	-	-	47,356	47,356
Other comprehensive income	-	515	-	515
Dividends [Note 18(b)]	-	-	(20,800)	(20,800)
Balance at December 31, 2021	228,453	1,319	277,523	507,295
Net income after net movements in regulatory balances	-	-	39,674	39,674
Other comprehensive income	-	3,675	-	3,675
Dividends [Note 18(b)]	-	-	(23,700)	(23,700)
Balance at December 31, 2022	**228,453**	**4,994**	**293,497**	**526,944**

Hydro Ottawa Holding Inc.

Consolidated Statement of Cash Flows
Year ended December 31, 2022
[in thousands of Canadian dollars]

	2022 $	2021 $
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income after net movements in regulatory balances	**39,674**	47,356
Adjustments for:		
Depreciation and amortization	**76,199**	70,787
Loss (gain) on disposal of non-financial assets	**1,408**	(169)
Amortization of debt-issuance costs	**330**	325
Share of losses (profits) from joint ventures	**441**	(798)
Amortization of deferred revenue [Note 20]	**(6,880)**	(6,023)
Financing costs, net of interest income and debt-issuance costs	**43,542**	37,301
Income tax expense	**20,967**	21,285
Other	**(540)**	(255)
Changes in non-cash working capital and other operating balances [Note 24]	**(16,118)**	37,083
Income tax refunds received	**1,936**	738
Income taxes paid	**(3,947)**	(2,275)
Financing costs paid, net of interest income received	**(37,671)**	(36,850)
Capital contributions from customers	**17,826**	15,914
Capital contributions from developers [Note 6]	**9,356**	10,478
Change in customer deposits	**(2,846)**	5,084
Net movements in regulatory balances	**(35,267)**	(14,619)
	108,410	185,362
Investing		
Acquisition of property, plant and equipment	**(156,646)**	(143,458)
Acquisition of intangible assets	**(8,573)**	(22,215)
Proceeds from disposal of property, plant and equipment	**1,113**	4,274
Capital contributions to joint venture [Note 15(c)]	**(283)**	(2,111)
Investment in joint venture, net of dividends received	**600**	(320)
Note receivable from joint venture	**(1,884)**	(15,741)
Financing costs paid	**(849)**	(3,659)
Restricted cash held in-trust	**610**	(6,443)
Repayment of notes receivable from joint ventures	**214**	176
Government grant received [Note 15(c)]	**283**	2,111
Deferred revenue	**-**	900
Distributions from joint venture	**601**	-
	(164,814)	(186,486)
Financing		
Proceeds from the issuance of commercial paper, net of repayments [Note 11]	**86,390**	190,000
Proceeds from issuance of long-term debt, net of repayments [Note 15]	**712**	15,741
Dividends paid [Note 18(c)]	**(23,700)**	(20,800)
Repayments of lease liabilities	**(107)**	(101)
	63,295	184,840
Net change in bank indebtedness, net of cash	**6,891**	183,716
Bank indebtedness, net of cash, beginning of year	**(5,185)**	(188,901)
Cash, net of bank indebtedness, end of year	**1,706**	(5,185)

[in thousands of Canadian dollars]

1. DESCRIPTION OF BUSINESS AND CORPORATE INFORMATION

Hydro Ottawa Holding Inc. [the 'Corporation'] is a holding company incorporated on October 3, 2000 whose sole shareholder is the City of Ottawa. The Corporation's primary operations, as carried out by its subsidiaries and joint ventures below, are the distribution of electricity within the City of Ottawa, the generation of renewable energy, and the provision of distribution and energy related commercial services. The Corporation is domiciled in Canada with its registered head office located at 2711 Hunt Club Road, Ottawa, Ontario, K1G 5Z9.

Significant operating subsidiaries, each of which is wholly-owned by the Corporation as at December 31, 2022, are as follows:

Subsidiary	Principal activity
Hydro Ottawa Limited ['Hydro Ottawa']	An electricity distribution company regulated by the Ontario Energy Board ['OEB'] that owns and operates electrical infrastructure in the City of Ottawa and the Village of Casselman. In additional to distribution services, Hydro Ottawa Limited invoices customers for amounts it is required to pay to other organizations in Ontario's electricity system for providing wholesale generation and transmission services.
Energy Ottawa Inc. ['Energy Ottawa']	Operating under the Portage Power brand, Energy Ottawa owns and operates 18 hydroelectric generating stations totalling 118 MW located in Ontario and Québec [at Chaudière Falls] and New York state. Significant subsidiaries of Energy Ottawa include Chaudiere Hydro L.P. ['CHLP'], Hull Energy L.P. ['Hull Energy LP'], EONY Generation Limited ['EONY'], Chaudiere Hydro North L.P. ['CHLP North'], EO Generation LP ['EO Gen'] and Chaudiere Financial L.P. ['CFLP'].
Envari Holding Inc. ['Envari']	Envari provides turnkey management, analysis and infrastructure services to large energy consuming organizations and non-destructive cable testing services to utility companies. Significant subsidiaries of Envari include Envari Energy Solutions Inc. and Energy Ottawa Cable Testing Services Inc. ['Cable Q'].
Telecom Ottawa Holding Inc. ['TOHI']	TOHI owns 100% of Hiboo Networks Inc. ['Hiboo'] (formerly 13310361 Canada Inc.). Hiboo provides secure, high-speed fibre optic network solutions and internet service to businesses in the Ottawa and Gatineau area.

1. DESCRIPTION OF BUSINESS AND CORPORATE INFORMATION [CONTINUED]

Joint ventures the Corporation is a party of as at December 31, 2022, are as follows:

Joint venture	Principal activity
PowerTrail Inc. ['PowerTrail'] [60% owned]	Owns and operates a 6 MW landfill gas-to-energy plant at the Trail Road landfill site in Ottawa, Ontario.
Moose Creek Energy LP ['Moose Creek LP'] [50.05% owned]	Owns and operates a 4 MW landfill gas-to-energy plant at the Laflèche landfill site in Moose Creek, Ontario.
Zibi Community Utility LP ['ZCU'] [50% owned]	Currently in the development stage to build, own and operate a thermal utility for the Zibi development in downtown Ottawa and Gatineau.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared by management on a going-concern basis in accordance with International Financial Reporting Standards ['IFRS'] as issued by the International Accounting Standards Board ['IASB'], and have been approved and authorized by the Corporation's Board of Directors for issue on April 20, 2023.

(b) Basis of measurement

The Corporation's consolidated financial statements are prepared on a historical cost basis, except for employee future benefits as disclosed in Note 3(p).

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

(i) Accounts receivable

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

2. BASIS OF PRESENTATION [continued]

(d) Use of estimates and judgments [continued]

(ii) Regulatory balances

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

(iii) Revenue recognition

The Corporation uses the percentage-of-completion method in accounting for fixed-price contracts to deliver certain products and services. The use of the percentage-of-completion method requires the Corporation to estimate the work performed to date as a proportion of the total work to be performed. Management conducts periodic reviews of its estimated costs to complete, percentage-of-completion estimates and revenues and margins recognized, on a contract-by-contract basis. The impact of any revisions in cost and earnings estimates is reflected in the period in which the need for a revision becomes known.

(iv) Useful lives of depreciable assets

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

(v) Impairment of non-financial assets

Non-financial assets are reviewed by management for impairment using the future cash flows method as outlined in Note 3(o). By their nature, estimates of future cash flows, including estimates of future capital expenditures, revenue, operating expenses, discount rates, generation production, inflation, terminal capitalization rates and forecasted market pricing [including ancillary, capacity and other market incentives] are subject to measurement uncertainty. Management factors in current economic conditions, past experience and obtains third party consultations to support its estimates when necessary.

(vi) Employee future benefits

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

(vii) Capital contributions

The timing of the satisfaction of performance obligations for capital contributions from customers is subject to certain estimates of future electricity usage.

2. BASIS OF PRESENTATION [continued]

(d) Use of estimates and judgments [continued]

(viii) Deferred income taxes

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

(ix) Indicator of asset impairment

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

Based on management's judgment, an indicator of impairment [under IAS 36 – *Impairment of Assets* ['IAS 36']] existed within EONY at December 31, 2022 pertaining to the volatility in energy market prices in New York State and the increase in market interest rates. Assumptions with respect to these cash flows are sensitive to the various inputs into the value-in-use calculation, and thus are subject to measurement uncertainty [Note 2(d)(v)] and details regarding management's 2022 value-in-use analysis are presented in Note 7 of these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries including those described in Note 1. Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns by directing and controlling the activities of the entity. Subsidiaries are fully consolidated from the date on which the Corporation obtains control, and continue to be consolidated until the date that control ceases to exist. Intercompany balances and transactions have been eliminated in these consolidated financial statements The financial statements of the subsidiaries are prepared for the same reporting period as the Corporation using consistent accounting policies.

(b) Joint ventures

All joint arrangements are either classified as joint ventures or joint operations in accordance with IFRS 11 – *Joint Arrangements* ['IFRS 11'] the Corporation is party to three joint ventures as described in Note 1 of these consolidated financial statements whereby control is shared with third parties via a contractual agreement. Joint ventures are accounted for using the equity method. Under this method, the Corporation's interests in joint ventures are initially recorded at cost, and subsequently adjusted to recognize the Corporation's share of post-acquisition profits or losses, movements in other comprehensive income ['OCI'] and dividends or distributions received, as applicable.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(c) Foreign currency translation

Transactions denominated in foreign currencies are translated at exchange rates in effect at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Non-monetary assets and liabilities carried at historical cost are not re-translated; they remain at the exchange rate in effect at the date of the original transaction. Non-monetary assets and liabilities carried at fair value are translated at the exchange rate in effect at the date the fair value was measured. Any resulting exchange gains or losses are included in net income for the year.

The assets and liabilities of EONY are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Revenue and expenses are translated into Canadian dollars at the average exchange rate in effect during the reporting period. Any resulting exchange gains and losses arising from the translation are included in OCI for the year.

(d) Regulation – Hydro Ottawa

Hydro Ottawa is regulated by the OEB under the authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibilities of approving or setting rates for the transmission and distribution of electricity, and ensuring that distribution companies fulfill obligations to connect and service customers.

For fiscal year ended December 31, 2022, Hydro Ottawa continued to operate under a custom incentive rate-setting application ['Custom IR'] prescribed by the OEB. The Custom IR is one of the rate setting options contained in the *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* policy.

On February 10, 2020, Hydro Ottawa filed its Custom IR application for distribution rates and other charges for a period of five years, to be effective January 1, 2021 to December 31, 2025. In November 2020, the OEB issued its final decision and reasons with respect to Hydro Ottawa's 2021-2025 rate application. Furthermore, on January 7, 2021, Hydro Ottawa's 2021 final rate orders were approved, which included base distribution rates, low voltage, transmission, retailer services and specific services charges. Hydro Ottawa's fixed/variable rate design for all customer classes were approved by the OEB. Annual IR applications are required to set rates and charges for the 2022-2025 rate years.

On August 3, 2022, Hydro Ottawa filed its Custom IR year 3 update application seeking approval to change its base distribution rates effective January 1, 2023. Rates are adjusted using a formulaic approach following the first year base rates. The 2023 rates are based on an update to Hydro Ottawa's custom price escalation factor, working capital allowance, and the Hydro Ottawa's annual incremental capital stretch factor for capital-related revenue requirement. Hydro Ottawa's 2023 rates were approved by the OEB on December 8, 2022.

Once rates are approved, they are not adjusted as a result of actual costs being different from those that were estimated, other than for certain prescribed costs that are eligible for deferral treatment and are either collected or refunded in future rates.

In January 2014, the International Accounting Standards Board ['IASB'] issued IFRS 14 – *Regulatory Deferral Accounts* ['IFRS 14'], which permits rate-regulated entities to use its existing rate-regulated activities practices if and only if, in its first IFRS financial statements, it recognized regulatory deferral account balances by electing to apply the requirements of IFRS 14.

Hydro Ottawa has determined that certain debit and credit balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the Accounting Procedures Handbook for Electricity Distributors. Regulatory debit and credit balances primarily represent costs that have been deferred because it is probable that they will be recovered in future rates, revenues that are required to be returned or collected to/from customers or balances that arise from differences in amounts billed to customers for electricity services and the costs that Hydro Ottawa incurs to purchase these services.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(d) Regulation – Hydro Ottawa [continued]

Regulatory balances principally comprise of the following:

- Regulatory asset/liability refund account ['RARA'/'RLRA'] consists of balances of regulatory assets or regulatory liabilities approved for disposition by the OEB through temporary additional rates referred to as rate riders.
- Settlement variances relate primarily to the charges Hydro Ottawa incurred for transmission services, commodity, wholesale market operations and global adjustment in comparison to those settled with customers during the year. The nature of the settlement variances is such that the balance can fluctuate between assets and liabilities over time, and they are reported at year-end dates in accordance with rules prescribed by the OEB.
- Lost Revenue Adjustment Mechanism ['LRAM'] account tracks and disposes of lost electricity distribution revenues that result from Conservation and Demand Management ['CDM'] programs.
- Earnings Sharing Mechanism ['ESM'] variance account captures 50% of any regulated earnings above Hydro Ottawa's approved return on equity for specific rate periods.
- Other Post-employment Benefits deferral account ['OPEB deferral account'] was authorized by the OEB in 2011 to record the adjustment to employee future benefits other than pension relating to the cumulative actuarial gains or losses. This account is adjusted annually to record any changes in the cumulative actuarial gains or losses. No interest charges are recorded on this account as instructed by the OEB.
- Other Post-employment Benefits cash versus accrual account ['OPEB cash vs accrual'] tracks the interest on the differential of Hydro Ottawa's contributions to OPEB versus the accrued OPEB expense recorded in Hydro Ottawa's statement of income.
- Gain/Loss on Asset Disposal variance account is the difference between actual amount of gain or loss from disposal of fixed assets and the forecasted gain or loss.

Other variances and deferred costs include the following:

- The Connection Cost Recovery Agreement ['CCRA'] account allows Hydro Ottawa to record annual revenue requirements related to the difference between forecasted payments built into rates and actual payments made to Hydro One Networks Inc. ['HONI'] under the CCRA's.
- Capital Variance Account ['CVA'] account (excluding the System Access capital variance sub-account relating to plant relocation requested by third parties and residential expansion) is an asymmetrical variance account. Accordingly, the CVA tracks on an annual basis [for years 2021-2025], the cumulative revenue requirement difference resulting from the underspending in the Corporation’s three capital spending categories: System Renewal/System Service, System Access, and General Plant. The System Access capital variance sub-account records the cumulative revenue requirement difference due to both overspending or underspending and is referred to as a symmetrical variance account.
- A Performance Outcomes Accountability Mechanism ['POAM'] account to return up to $200 annually for each under-achieved target during the 2021-2025 custom incentive rate-setting period. The five targets impacted by this mechanism account are identified in Hydro Ottawa's distribution system plan.
- The OEB established a variance account for electricity distributors to record any material differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment models.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(d) Regulation – Hydro Ottawa [continued]

- The difference between the 2014 starting point and the previous custom incentive rate-setting ending point [2020] stretch factor as multiplied by the rate year plan revenue requirement for the relevant rate year, referred to as the Efficiency Adjustment Mechanism.
- The difference between low voltage charges paid to HONI and those charged to customers.

Hydro Ottawa accrues interest on the regulatory balances as directed by the OEB.

Hydro Ottawa continues to assess the likelihood of recovery of all regulatory debit balances subject to recovery through a future rate filing. The absence of OEB approval is a consideration in this evaluation. If the requirement for a provision becomes more likely than not, Hydro Ottawa will recognize the provision in operating costs for the year.

(e) Revenue recognition

Depending on whether certain criteria are met, the Corporation recognizes revenue from contracts with customers when it transfers control over a product or service to a customer either over time or at a point in time. For revenue from other sources, the Corporation recognizes revenue over time taking into consideration the facts and circumstances of the arrangement.

Revenue is measured at the consideration received or receivable, excluding any discounts, rebates and sales taxes and other amounts collected on behalf of third parties in the following revenue arrangements.

(i) Power recovery

Power recovery revenue represents the flow-through of the cost of power to the consumer as purchased by the Corporation and is recognized over time as electricity is delivered to the customer, as measured by meter readings or usage estimates. Power recovery revenue is regulated by the OEB and includes charges to customers for the electricity commodity, the transmission of electricity and the administration of the wholesale electricity system. The Corporation has determined that it acts as a principal in this revenue arrangement and therefore has presented it on a gross basis.

(ii) Distribution

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

(iii) Generation

Generation revenue is recognized over time upon the delivery of generated electricity to the customer, as measured by meter readings in accordance with the applicable contractual arrangement.

(iv) Commercial services

Commercial services revenue comprise revenue earned under contracts for service work related to distribution operations, turnkey energy management and analysis projects, the provision of streetlight installation and maintenance services, pole attachment and duct rental services and non-destructive cable testing.

Hydro Ottawa Holding Inc.
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3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(e) Revenue recognition [continued]

(iv) Commercial services [continued]

Certain commercial services [distribution projects, turnkey energy management projects and streetlight installation services] are accounted for using the percentage-of-completion method, whereby revenue and the corresponding costs are recognized over time proportionately with the degree of completion of the services under contract and the Corporation has an enforceable right to payment for performance completed to date. Losses on such contracts are fully recognized when they become evident. Other commercial services revenues are recognized over time as services are rendered, or on a straight-line basis over the period of the contract if the services performed consist of an indeterminate number of acts over a specified period of time.

(v) Other

Other revenue consists primarily of investment property rentals, capital contributions received from customers amortized to revenue, and other account-related charges such as account set-up and late payment fees.

Investment property rentals are recognized over time as services are rendered, while other account-related charges are recognized at a point in time. In certain situations, capital contributions are required from customers to finance additions to property, plant and equipment when the estimated revenue resulting from the addition to property, plant and equipment is less than the cost of providing the service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide current and future customers with ongoing access to the supply of electricity, these contributions are classified as deferred revenue and amortized into revenue on a straight-line basis over time [the period a customer will receive services], which is typically equivalent to the rate used for the depreciation of the related property, plant and equipment [service life of the related assets].

Capital contributions received from developers to construct or acquire property, plant and equipment for the purpose of connecting future customers to the Corporation's distribution network are considered out of scope of IFRS 15 – *Revenue from Contracts with Customers* ['IFRS 15']. Capital contributions received from developers are recognized as deferred revenue and amortized into revenue from other sources at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

Rental income from investment property is also considered out of scope of IFRS 15, and is accordingly classified as revenue from other sources and recognized on a straight-line basis over the term of the lease.

(f) Interest income and financing costs

Interest income is recognized as it accrues under the effective interest method and comprises interest earned on cash and notes receivable from related parties.

Financing costs are calculated using the effective interest rate method and are recognized as an expense unless they are capitalized as part of the cost of a qualifying asset.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(g) Government grant income

Government grants are recognized at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all the conditions.

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants related to expenses are shown as other income. Government grants related to assets are presented as deferred income and are amortized into income over the useful life of the associated asset. CDM performance incentives are recognized when it is probable that future economic benefits will flow to the Corporation, and the amount can be measured reliably.

(h) Income taxes

The Corporation, Hydro Ottawa, Energy Ottawa and Envari are each considered to be a Municipal Electric Utility ['MEU'] and are required to make payments in lieu of corporate income taxes ['PILS'] as contained in the *Electricity Act, 1998*, as all of their share capital is indirectly owned by the City of Ottawa and not more than 10% of its income is derived from activities carried on outside the municipal boundaries of the City of Ottawa. The *Electricity Act, 1998* provides that a MEU that is exempt from tax under the *Income Tax Act* (Canada) ['ITA'] and the *Taxation Act,* Ontario ['TAO'] is required to make, for each taxation year, a PILs payment to the Ontario Electricity Financial Corporation in an amount equal to the tax that it would be liable to pay under the ITA and the TAO if it were not exempt from tax.

The Corporation, Hydro Ottawa, Energy Ottawa, and Envari follow the liability method for recording income taxes. Under the liability method, current income taxes payable is recorded based on taxable income. Deferred income taxes arising from temporary differences in the accounting and tax basis of assets and liabilities are provided based on substantively enacted tax rates that will be in effect when the differences are expected to reverse.

The Corporation evaluates the realizability of its deferred income tax assets at the end of each reporting period. To the extent that it is not probable that taxable profit will be available against which the unused tax losses can be utilized, the deferred income tax asset is not recognized.

Hydro Ottawa recognizes regulatory balances for the amounts of future income taxes expected to be refunded to or recovered from customers in future electricity rates as prescribed by the OEB.

EONY is subject to the income tax regime in the United States [the 'Internal Revenue Service']. PowerTrail is taxable under the ITA and TAO as less than 90% of each company's capital is owned by the City of Ottawa through Energy Ottawa and the Corporation. Corporate income taxes are accounted for using the liability method as described above.

Moose Creek LP, CHLP, EO Gen, CHLP North, Hull Energy LP, CFLP and ZCU are not taxable entities for federal and provincial income tax purposes. Tax on the net income (loss) is borne by the individual partners through the allocation of taxable income.

(i) Restricted cash

Cash that is restricted as to withdrawal or use under the terms of certain contractual agreements is classified as restricted cash.

(j) Bank indebtedness

Bank indebtedness includes short-term advances and/or bankers' acceptances drawn on the Corporation's credit facility with a maturity date of three months or less, and outstanding cheques. Cash and bank indebtedness are offset and the net amount is presented on the consolidated balance sheet when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(k) Financial instruments

Financial instruments are initially measured at the fair value of the consideration given or received plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Corporation's financial assets, upon initial recognition, are classified as amortized cost or fair value [whereby subsequent changes in fair value are recognized either through OCI ['FVOCI'] or through profit and loss ['FVTPL'] as unrealized market adjustments]. Financial assets are classified based on the Corporation's business model for managing such assets and the contractual terms of the related cash flows.

The Corporation's financial liabilities, upon initial recognition, are classified as amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

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

- Cash, restricted cash, accounts receivable and notes receivable from related parties are financial assets classified and measured at amortized cost using the effective interest method, less any impairment if applicable.
- Bank indebtedness, commercial paper, accounts payable and accrued liabilities, customer deposits and long-term debt are financial liabilities classified and measured at amortized cost using the effective interest rate method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between willing parties. The Corporation's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and liabilities. Financial instruments are classified using a three level hierarchy. The levels reflect the inputs used to measure the fair values of financial assets and financial liabilities, and are as follows:

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

All financial assets except for those classified as FVTPL or FVOCI are subject to review for impairment at least at each reporting date. Impairment losses, if material, are recognized in net income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

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

When determining whether the credit risk of a financial asset has increased, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information. The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Corporation considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security.

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

(l) Property, plant and equipment

Property, plant and equipment consist principally of land, buildings and fixtures, electricity distribution and infrastructure, furniture and equipment, rolling stock, generating equipment, reservoirs, dams and waterways, civil structures and assets under construction. Right-of-use assets under IFRS 16 – *Leases* ['IFRS 16'], as described in Note 3(u), are classified within property, plant and equipment in these consolidated financial statements.

[in thousands of Canadian dollars]

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(l) Property, plant and equipment [continued]

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Self-constructed asset costs comprise all directly attributable expenditures to bring the asset into operation including labour, materials, employee benefits, transportation, contracted services and borrowing costs. Where parts of an item in property, plant and equipment are significant and have different estimated economic useful lives, they are accounted for as separate items [major components] of property, plant and equipment. Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers and developers. Assets that are acquired from customers and developers are measured at fair value. Contributions from customers and developers are treated as deferred revenue.

The cost of major inspections and maintenance is recognized in the carrying value of an asset provided that the Corporation will derive future economic benefits from the expenditure. The carrying amount of a replaced part is derecognized. The costs of day-to-day servicing, repairs, and maintenance are expensed as incurred.

Depreciation is recorded on a straight-line basis over the estimated service life of each component of property, plant and equipment. Emergency capital spare parts that are expected to be used for more than one year are considered to be assets under construction and are depreciated only once they are put into service.

Gains and losses on disposal of retired, sold or otherwise derecognized property, plant and equipment are recognized in income and are calculated as the difference between net proceeds from disposal and the carrying amount of the asset. Compensation from third parties for property, plant and equipment lost, impaired or given up is measured at fair value and recognized when the compensation becomes receivable.

The estimated useful lives, residual values and depreciation methods are reviewed at each year-end with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated service lives for property, plant and equipment classes are as follows:

Land, buildings and structures	
Land	Indefinite
Buildings and fixtures	10 to 100 years
Civil structures	100 years
Electricity distribution infrastructure	10 to 60 years
Generation and other	
Generating equipment	10 to 50 years
Dark fibre	20 to 25 years
Reservoirs, dams and waterways	100 to 125 years
Furniture and equipment	5 to 40 years
Rolling stock	7 to 15 years

Assets under construction and land are not subject to depreciation.

Borrowing costs are capitalized as a component of the cost of self-constructed property, plant and equipment assets that take a substantial period of time to get ready for their intended use. The capitalization rate is the Corporation's weighted average cost of borrowing.

(m) Intangible assets

Intangible assets include land and water rights, computer software, capital contributions, power purchase agreements, deferred contract costs and assets under development. Water rights represent the inherent value of the right to draw water from government-owned rivers and lakes for purposes of generating electricity.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(m) Intangible assets [continued]

Intangible assets with finite lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized on a straight-line basis over the estimated service lives of the related assets while those with indefinite lives are not amortized.

Intangible assets are derecognized on disposal or when no further future economic benefits are expected from their use. Gains or losses on disposal of intangible assets are recognized in income and are calculated as the difference between net proceeds from disposal and the carrying amount of the asset.

The estimated useful lives and amortization methods are reviewed at each year-end with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated service lives for intangible assets with finite lives are as follows:

Land rights	50 years
Water rights with a definite useful life	7 to 100 years
Computer software	5 to 15 years
Other contractual rights	
Capital contribution agreements	45 years
Power purchase agreements ['PPA']	15 years
Deferred contract costs	15 years

(n) Investment properties

Investment property is land and/or buildings held for purposes other than for use in the Corporation's operating activities. The Corporation holds investment properties either for potential expansion of the service delivery network or as excess administrative property. Investment properties are measured at cost plus transaction costs, and depreciable investment properties have estimated service lives ranging between 25 and 50 years. Any gain or loss arising from the sale of an investment property is immediately recognized in the consolidated statement of income.

(o) Impairment of non-financial assets

At the end of each reporting period, or earlier if required, the Corporation assesses whether there is an indication that a non-financial asset [or 'CGU'] may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, the Corporation estimates the asset's recoverable amount, which is the higher of an asset or CGU's fair value less costs of disposal and its value-in-use. If the carrying value of a non-financial asset materially exceeds its recoverable amount, the difference is immediately recognized as an impairment loss in the consolidated statement of income.

Intangible assets with indefinite useful lives [i.e. certain water rights] and assets under development are tested for impairment [within their respective CGUs] at least annually, and whenever there is an indication that the asset may be impaired.

When determining the recoverable amount, the Corporation determines its value-in-use by discounting estimated future cash flows to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset of the CGU. The discount rate estimated and used by management represents the weighted average cost of capital determined for the CGU being tested. Terminal values are included in the determination of management's value-in-use calculations and are based on an earnings multiple approach via a terminal capitalization rate.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(o) Impairment of non-financial assets [continued]

At the end of a reporting period, the Corporation assesses whether there is any indication that an impairment loss recognized in a prior period no longer exists or has decreased. If any such indication exists, the loss is reversed up to its recoverable amount where there has been a change in estimated service potential. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed [net of amortization] had the original impairment not been recognized in prior periods.

Compensation for impairment of non-financial assets, such as insurance recoveries, is included in determining profit or loss when it becomes receivable and is not offset against the cost of restoring, purchasing or constructing replacement assets.

(p) Employee future benefits

(i) Pension plans

The Corporation provides pension benefits for its employees through the Ontario Municipal Employees Retirement System ['OMERS'] Fund [the 'FUND']. OMERS is a multi-employer pension plan that provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The FUND is a defined benefit pension plan, which is financed by equal contributions from participating employers and employees and by the investment earnings of the FUND.

Although the plan is a defined benefit plan, sufficient information is not available to the Corporation to account for it as such because it is not possible to attribute the fund assets and liabilities between the various employers who contribute to the FUND. As a result, the Corporation accounts for the plan as a defined contribution plan, and contributions payable as a result of employee service are expensed as incurred as part of operating costs. The Corporation shares in the actuarial risks of the other participating entities in the plan, and its future contributions may therefore be increased due to actuarial losses relating to the other participating entities. In addition, the Corporation's contributions could be increased if other entities withdraw from the plan.

CHLP is the sponsoring employer of the Pension Plan for Employees of Chaudiere Hydro L.P. and Participating Employers ['Chaudiere Hydro Pension Plan'] which provides pension benefits for certain of the Corporation's employees and is accounted for as follows:

- Chaudiere Hydro Pension Plan assets are held by an insurance corporation and are measured at fair value, which are determined as follows: bond, equity and other investment funds are valued using the unit values supplied by the fund manager, which reflects the fund's proportionate share of underlying net assets at fair values determined using closing quotations from Canadian investment dealers, and short-term investments are valued at cost, including accrued interest, which due to their short-term maturity approximates fair value.
- Defined benefit obligations of the Chaudiere Hydro Pension Plan are determined based on the expected future benefit payments discounted using market interest rates on high-quality debt instruments that match the timing and amount of expected benefit payments.
- The cost of pension earned by employees is actuarially determined using the projected benefit method prorated on services, and management's best estimate of salary escalation, retirement ages and life expectancy.

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3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(p) Employee future benefits [continued]

(i) Pension plans [continued]

- The defined benefit expense is presented in employee benefits in net income on the consolidated statement of income and includes, as applicable, the estimated cost of employee benefits for the current year service, interest cost, interest income on Chaudiere Hydro Pension Plan's assets, plan amendments, curtailments, other administration costs of the pension plans and any gain or loss on settlement. Current service cost, interest income on Chaudiere Hydro Pension Plan's assets and interest costs are computed by applying the discount rate used to measure the plan obligation at the beginning of the annual period.
- Remeasurements arising on Chaudiere Hydro Pension Plan's assets and defined benefit obligation are presented in OCI on the consolidated statement of comprehensive income and arise from actuarial gains and losses on defined benefit obligations, the difference between the actual return [net of costs of managing Chaudiere Hydro Pension Plan's assets] and interest income on plan assets, if applicable. Chaudiere Hydro Pension Plan's significant assumptions are assessed and revised, as appropriate.
- Past service costs are included in the cost of the Chaudiere Hydro Pension Plan for the year when they arise.

The fair value of the Chaudiere Hydro Pension Plan assets is offset against the defined benefit obligation. The net amount is recognized as a retirement benefit asset or retirement benefit liability.

(ii) Other post-employment benefits

Other post-employment benefits provided by the Corporation include life insurance, a collectively bargained retirement grant and other benefits. These plans provide benefits to certain employees when they are no longer providing active service.

Employee future benefits expense is recognized in the period during which the employees render services.

Employee future benefits are recorded on an accrual basis. The defined benefit obligation and current service costs are calculated using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Actuarial gains and losses resulting from experience different from that assumed or from changes in actuarial assumptions are recognized in OCI. However, for Hydro Ottawa, these amounts are reclassified to a regulatory debit balance as prescribed by the OEB.

(iii) Employee benefits

The Corporation provides short-term employee benefits such as salaries, employment insurance, short-term compensated absences, sick leave and health and dental care. These benefits are recognized as the related service is rendered and are measured on an undiscounted basis. Short-term employee benefits are recognized as an expense unless they qualify for capitalization as part of the cost of an item of property, plant and equipment or intangible assets. A liability is recognized in respect of any unpaid short-term employee benefits for services rendered in the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(p) Employee future benefits [continued]

(iii) Employee benefits [continued]

The Corporation recognizes a liability for the expected cost of accumulated non-vested sick leave benefits at the end of the reporting period. The Corporation presents its non-vested sick leave obligation as a non-current liability since it does not expect to settle all of its sick leave benefits within twelve months from the balance sheet date.

(q) Customer deposits

Customer deposits are cash collections from non-residential customers to guarantee the payment of future energy bills and fulfillment of construction obligations. Deposits from customers to guarantee the payment of energy bills includes related interest amounts owed to the customers. Deposits estimated to be refundable to customers within the next fiscal year are classified as current liabilities and included in accounts payable and accrued liabilities.

(r) Provisions and contingencies

The Corporation recognizes provisions when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential loss. Actual results could differ from these estimates.

A contingent asset is not recognized in the consolidated financial statements. However, a contingent asset is disclosed where an inflow of economic benefits is probable.

(s) Deferred revenue

In certain situations, assistance in the form of contributions is required from customers and developers to finance additions to property, plant and equipment. This occurs when the estimated revenue resulting from the addition to property, plant and equipment is less than the cost of providing the 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 deferred revenue, and recognized in revenue in accordance with Note 3(e)(v). In addition, loan arrangement fees received by the Corporation is treated as deferred revenue and amortized into revenue over the term of the associated loan.

(t) Debt-issuance costs

Debt-issuance costs that are external, direct and incremental arising from its debenture and bond offerings are netted against the proceeds of the debt and amortized over the life of the related instrument using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(u) Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

(i) As a lessee

As a lessee, leases are recognized as right-of-use ['ROU'] assets and a lease liability at the lease commencement date. ROU assets are initially measured at cost, and subsequently carried at cost less accumulated depreciation and impairments, if any. The initial cost of an ROU asset equals the amount of the initial measurement of the corresponding lease liability, plus any initial direct costs incurred to bring the assets into operation. ROU assets are classified within property, plant and equipment in these consolidated financial statements.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease payments are discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate which reflects the Corporation's ability to borrow money over a similar term, for an asset of similar value to the underlying asset, similar security or in a similar economic environment. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

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

Where the Corporation is reasonably certain it will obtain ownership of the ROU asset before the end of the lease term, the asset is depreciated over its useful life on a straight-line basis. Otherwise, depreciation is calculated over the shorter period of the lease term and the asset's useful life. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option. Initial direct costs incurred prior to the commencement of the lease are not depreciated.

Payments related to short-term [12 months or less] and low-value leases are recognized as operating expenses over the lease term in the consolidated statement of income.

(ii) As a lessor

Leases in which the Corporation assumes all of the risks and rewards of ownership are classified as finance leases. The Corporation has a lease agreement as a lessor with respect to land and buildings. The terms of the lease arrangement does not transfer substantially all the risks and rewards of ownership to the lessee, and therefore has been classified as an operating lease. Rental income from operating leases is recognized on a straight-line basis over the term of the applicable lease.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(v) Inventory

Inventory consists of materials and supplies used in the installation and maintenance of streetlights as part of the Corporation's commercial services. Inventory is measured at the lower of weighted average variable costs and net realizable value. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased during the period. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4. ACCOUNTS RECEIVABLE

	2022 **$**	2021 $
Receivables from contracts with customers		
Electricity receivable	**59,994**	61,058
Unbilled receivables related to electricity	**82,660**	76,300
IESO receivable	**9,742**	14,694
Trade and other receivables	**14,352**	10,679
Amounts due from related parties [Note 28]	**17,911**	12,381
Less: loss allowance [Note 19(c)]	**(4,030)**	(3,139)
	180,629	171,973
Receivables from other sources		
Conservation and demand management	**-**	117
Sales tax receivable	**245**	392
Investment tax credit receivable	**-**	18
	180,874	172,500

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2022
[in thousands of Canadian dollars]

5. REGULATORY BALANCES

Information about the Corporation's regulatory balances is as follows:

	Remaining recovery/ reversal [years]	2021 $	Balances arising in the year $	Recovery/ reversal $	Other movements[1] $	**2022** **$**
Regulatory debit balances						
RARA	1 - 5	1,691	4,170	(1,600)	(3,574)	**687**
Settlement variances	1 - 5	13,453	23,049	222	-	**36,724**
OPEB cash vs accrual	1 - 5	5,561	(2,343)	-	-	**3,218**
LRAM	1 - 5	967	-	-	(967)	**-**
Loss on asset disposal	1 - 5	-	484	-	(336)	**148**
Regulatory asset for deferred income taxes	[2]	61,860	12,378	-	-	**74,238**
Other variances and deferred costs	1 - 5	2,842	(471)	7	(880)	**1,498**
		86,374	37,267	(1,371)	(5,757)	**116,513**
Regulatory credit balances						
RLRA	1 - 5	9,588	(5,441)	575	(3,574)	**1,148**
Settlement variances	1 - 5	12,850	4,411	(228)	-	**17,033**
ESM	1 - 5	2,126	(659)	-	-	**1,467**
Gain on asset disposal	1 - 5	336	-	-	(336)	**-**
LRAM	1 - 5	-	1,072	-	(967)	**105**
OPEB deferral account	1 - 5	12	18	-	-	**30**
Other variances and deferred costs	1 - 5	403	1,485	894	(880)	**1,902**
		25,315	886	1,241	(5,757)	**21,685**

[in thousands of Canadian dollars]

5. REGULATORY BALANCES [CONTINUED]

	Remaining recovery/ reversal [years]	2020 $	Balances arising in the year $	Recovery/ reversal $	Other movements[(1)] $	2021 $
Regulatory debit balances						
RARA	1	752	2,654	(1,588)	(127)	1,691
Settlement variances	1 - 5	10,309	16,776	-	(13,632)	13,453
Facilities Y Factor	-	321	(321)	-	-	-
OPEB cash vs accrual	1 - 5	2,255	3,306	-	-	5,561
LRAM	1 - 5	3,576	(2,609)	-	-	967
Loss on asset disposal	1 - 5	3,934	-	-	(3,934)	-
Regulatory asset for deferred income taxes	(2)	48,868	12,992	-	-	61,860
Other variances and deferred costs	1 - 5	10,967	(1,767)	-	(6,358)	2,842
		80,982	31,031	(1,588)	(24,051)	86,374
Regulatory credit balances						
RLRA	1 - 5	1,920	10,396	(2,601)	(127)	9,588
Settlement variances	1 - 5	16,642	9,840	-	(13,632)	12,850
ESM	1 - 5	5,510	(3,384)	-	-	2,126
Gain on asset disposal	1 - 5	-	4,270	-	(3,934)	336
Gain on sale of former facilities	-	2,152	(2,152)	-	-	-
OPEB deferral account	1 - 5	11	1	-	-	12
Other variances and deferred costs	1 - 5	7,587	(826)	-	(6,358)	403
		33,822	18,145	(2,601)	(24,051)	25,315

(1) Other movements represent reclassifications of balances
(2) The balance is being reversed through timing differences in the recognition of deferred income tax assets [Note 3(h)]

Details and descriptions pertaining to the above regulatory debit and credit accounts are disclosed in Note 3(d) of these consolidated financial statements.

6. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and structures $	Distribution $	Generation and other $	Assets under construction $	Total $
Cost					
Balance as at December 31, 2020	289,730	1,240,800	332,040	193,866	2,056,436
Additions, net of transfers	8,583	129,545	11,784	(669)	149,243
Additions re: refurbishment projects, net of transfers	14,369	-	112,403	(115,664)	11,108
Disposals	(154)	(2,289)	(1,617)	-	(4,060)
Exchange differences	(81)	-	(176)	-	(257)
Balance as at December 31, 2021	312,447	1,368,056	454,434	77,533	2,212,470
Additions, net of transfers	3,554	136,033	18,405	3,658	161,650
Disposals	(1)	(3,300)	(1,267)	(27)	(4,595)
Exchange differences	1,328	-	2,865	14	4,207
Balance as at December 31, 2022	**317,328**	**1,500,789**	**474,437**	**81,178**	**2,373,732**
Accumulated depreciation					
Balance as at December 31, 2020	(24,988)	(209,995)	(67,896)	-	(302,879)
Depreciation	(6,045)	(41,558)	(14,070)	-	(61,673)
Disposals	127	804	1,573	-	2,504
Exchange differences	14	-	46	-	60
Balance as at December 31, 2021	(30,892)	(250,749)	(80,347)	-	(361,988)
Depreciation	(6,113)	(43,952)	(15,576)	-	(65,641)
Disposals	-	1,159	915	-	2,074
Exchange differences	(399)	-	(956)	-	(1,355)
Balance as at December 31, 2022	**(37,404)**	**(293,542)**	**(95,964)**	**-**	**(426,910)**
Net book value					
As at December 31, 2021	281,555	1,117,307	374,087	77,533	1,850,482
As at December 31, 2022	**279,924**	**1,207,247**	**378,473**	**81,178**	**1,946,822**

As at December 31, 2022, land, buildings and structures and generation and other includes $4,578 [2021 – $4,754] of ROU assets with remaining lease terms ranging between 11 and 19 years, comprising of a cost of $5,362 [2021 – $5,246] and accumulated depreciation of $784 [2021 – $492] .

On September 30, 2022, the Corporation's subsidiary, Energy Ottawa executed an Asset Purchase Agreement, with Canadian Hydro Developers Inc., that closed on December 2, 2022 [the 'Acquisition Date'], for the asset purchase of two run of the river hydroelectric facilities [Galetta hydro facility – 1.60MW and Appleton hydro facility – 1.35MW] ,for cash consideration of $6,200.

On May 9, 2021, the Corporation substantially completed a significant refurbishment project at its Hull Energy LP generation facility which resulted in the componentization of many assets previously under construction; the commencement of depreciation thereon; and the ceasing of borrowing cost capitalization.

[in thousands of Canadian dollars]

6. PROPERTY, PLANT AND EQUIPMENT [CONTINUED]

During the year, the Corporation capitalized borrowing costs of $677 [2021 – $2,404] to property, plant and equipment. The average annual interest rate for 2022 was 2.9% [2021 – 3.2%].

In the prior year, the Corporation wrote-off property, plant and equipment of $3,100 relating to changes in scope to Hull Energy LP's refurbishment project which has been included in general and administrative expenses as part of operating costs.

The Corporation has entered into non-cash transactions that have been excluded from the consolidated statement of cash flows as detailed in Note 24. In addition, $7,587 [2021 – $22,072] of property, plant and equipment was contributed by developers, the directly related liability of which is included in deferred revenue.

7. INTANGIBLE ASSETS

	Land rights and water rights $	Computer software $	Other contractual rights $	Assets under development $	Total $
Cost					
Balance as at December 31, 2020	61,146	72,667	40,993	35,449	210,255
Additions, net of transfers	2	3,039	34,711	(15,547)	22,205
Exchange differences	(105)	(2)	-	(1)	(108)
Disposals	(3)	-	-	-	(3)
Balance as at December 31, 2021	61,040	75,704	75,704	19,901	232,349
Additions, net of transfers	507	4,779	15,441	(15,477)	5,250
Exchange differences	1,673	25	-	45	1,743
Balance as at December 31, 2022	**63,220**	**80,508**	**91,145**	**4,469**	**239,342**
Accumulated amortization					
Balance as at December 31, 2020	(14,663)	(41,575)	(4,185)	-	(60,423)
Amortization	(1,741)	(6,198)	(1,079)	-	(9,018)
Exchange differences	39	2	1	-	42
Disposals	1	-	-	-	1
Balance as at December 31, 2021	(16,364)	(47,771)	(5,263)	-	(69,398)
Amortization	(1,792)	(6,570)	(2,128)	-	(10,490)
Exchange differences	(1,013)	(25)	(1)	-	(1,039)
Balance as at December 31, 2022	**(19,169)**	**(54,366)**	**(7,392)**	**-**	**(80,927)**
Net book value					
As at December 31, 2021	44,676	27,933	70,441	19,901	162,951
As at December 31, 2022	**44,051**	**26,142**	**83,753**	**4,469**	**158,415**

7. INTANGIBLE ASSETS [CONTINUED]

Other contractual rights includes connection and cost recovery agreements ['capital contribution agreements'] that govern the construction by Hydro One Networks Inc. ['HONI'] of new or modified transformer stations for the purpose of serving Hydro Ottawa's customers, including anticipated electricity load growth. Each of Hydro Ottawa's capital contribution agreements has a term of 25 years. All terms and conditions of CCRAs follow the *Transmission System Code* [the 'Code'] issued by the OEB. As at December 31, 2021, assets under development primarily relates to line connection contribution costs associated with a new electricity distribution station.

During the year, the Corporation capitalized borrowing costs of $172 [2021 – $1,255] to intangible assets. The average annual interest rate for 2022 was 2.9% [2021 – 3.2%].

A significant portion of the Corporation's water rights with indefinite lives [73% or $16,941] stems from a historical 1889 lease agreement with Public Services and Procurement Canada. This contract provides rights to waters on the Ottawa River at Chaudière Falls for two of the Corporation's CGUs – the CHLP CGU [water rights carrying value of $9,575] and the CHLP North CGU [water rights carrying value of $7,366] – and renews every 21 years into perpetuity. The Corporation also retains water rights with indefinite lives [28% or $6,578 translated US-to-CAD] at two of its EONY generating stations which stem from historical agreements with the U.S. Federal Energy Regulatory Commission ['FERC']. These FERC licenses have an indefinite life as the Corporation is granted a legal exemption from re-qualifying for these licenses due to the size of the stations.

The Corporation's annual impairment tests with respect to the CHLP and CHLP North CGUs were based on value-in-use ['VIU'] calculations. Management's VIU calculations – subject to certain estimates as described in Note 2(d)(v) – are based on discounted future cash inflows to be earned under each CGUs' 40-year HESOP contract, while the cash outflows are based on management's industry experience and third party input; taking into account the estimated cost to complete the refurbishment projects. The key assumption in each VIU calculation was a weighted average cost of capital ['WACC'] of 4.2% [2021 – 3.8%].

The Corporation's impairment test at December 31, 2022 performed in light of the circumstances disclosed in Note 2(d)(ix) was based on a VIU calculation. Management's VIU calculation involved third-party forecast of New York energy prices and supplementary revenue. Other key assumptions in the VIU calculation were a discount rate via a weighted average cost of capital ['WACC'] of 7.1% [2021 – 6.1%], a US inflation rate of 2.5% [2021 – 2.3%], and a terminal capitalization rate of 8.3% [2021 – 6.2%]. Historical production and future capital and maintenance plans were also important assumptions in the VIU analysis. After conducting its impairment test, management concluded that the value-in-use recoverable amount exceeded the carrying value of the aforementioned generating assets.

8. INVESTMENT PROPERTIES

	2022 $	2021 $
Net book value, beginning of year	**4,616**	4,659
Additions	**-**	53
Depreciation	**(68)**	(96)
Net book value, end of year	**4,548**	4,616

The fair value of investment properties is $7,984. The fair value is based on a combination of the latest Municipal Property Assessment Corporation valuation dated January 1, 2016, and third party appraisals conducted in 2019, 2021 and 2023.

[in thousands of Canadian dollars]

9. INVESTMENTS IN JOINT VENTURES

(a) Investment in joint ventures summary

	2022 $	2021 $
Moose Creek LP [50.05%]		
Investment in joint venture, beginning of year	**6,192**	5,675
Share of profit	**240**	517
Distributions declared and paid	**(601)**	-
Investment in joint venture, end of year	**5,831**	6,192
PowerTrail [60%]		
Investment in joint venture, beginning of year	**4,668**	4,585
Share of profit, net of tax	**95**	263
Dividends received	**(600)**	(180)
Investment in joint venture, end of year	**4,163**	4,668
Zibi Community Utility LP [50%]		
Investment in joint venture, beginning of year	**9,268**	8,877
Capital investments	**-**	500
Share of loss	**(783)**	(12)
Other adjusting items related to loss	**7**	30
Elimination of gain on downstream sale	**-**	(127)
Investment in joint venture, end of year	**8,492**	9,268
Total investments in joint ventures	**18,486**	20,128

(b) Balance sheet and statement of income summary

	2022 $	2021 $
Moose Creek LP		
Current assets	**813**	1,021
Non-current assets	**11,583**	12,378
Total assets	**12,396**	13,399
Current liabilities	**504**	785
Total liabilities	**504**	785
Revenue	**3,473**	3,717
Net income	**478**	1,033

9. INVESTMENTS IN JOINT VENTURES [CONTINUED]

(b) Balance sheet and statement of income summary [continued]

	2022 $	2021 $
PowerTrail		
Current assets	**710**	999
Non-current assets	**9,423**	9,896
Total assets	**10,133**	10,895
Current liabilities	**634**	440
Non-current liabilities	**2,249**	2,364
Total liabilities	**2,883**	2,804
Revenue	**3,391**	3,554
Net income	**159**	437
Zibi Community Utility LP		
Current assets	**3,450**	3,912
Non-current assets	**35,638**	35,519
Total assets	**39,088**	39,431
Current liabilities	**1,475**	3,059
Non-current liabilities	**20,394**	17,586
Total liabilities	**21,869**	20,645
Revenue	**1,295**	615
Net loss	**(1,566)**	(24)

(c) Credit facility

PowerTrail has an operating revolving line of credit totaling $1,000 for general business purposes and bears an annual interest at the prime rate. At December 31, 2022, PowerTrail had no amount outstanding on this line of credit. PowerTrail also has a credit facility of $200 [December 31, 2021 – $200] to provide standby letters of credit to the IESO. At December 31, 2022, PowerTrail had drawn an amount of $133 [December 31, 2021 – $133] in standby letters of credit against this facility. Both of the above facilities contain customary covenants and events of default, including a covenant to maintain a tangible net worth of $1,000 [2021 - $1,000]. At December 31, 2022, PowerTrail is in compliance with these customary covenants [December 31, 2021 - In compliance].

Moose Creek Energy LP maintains an operating revolving line of credit of $1,000 for general business purposes that bears annual interest at the prime rate. At December 31, 2022, Moose Creek Energy LP had no outstanding balances drawn against its operating revolving line of credit [December 31, 2021 – $nil]. The facility contains customary covenants and events of default. At December 31, 2022, Moose Creek Energy LP is in compliance with these customary covenants [December 31, 2021 - In compliance].

[in thousands of Canadian dollars]

10. NOTES RECEIVABLE FROM RELATED PARTIES

	2022 $	2021 $
Moose Creek LP promissory note, 6.0%, due January 1, 2025	-	215
City of Ottawa note, 3.0%	-	19
Zibi Community Utility LP loan, 4.48%, due February 18, 2041	**17,625**	15,741
	17,625	15,975
Less: current portion	-	(234)
	17,625	15,741

(a) Moose Creek LP

As at December 31, 2022, the note receivable from Moose Creek LP was fully received.

(b) City of Ottawa

The Corporation is party to two agreements with the City of Ottawa regarding the provision of streetlight services. Over a span of an estimated six years from the contract signing date in February 2016, the Corporation is engaged to convert legacy street lights to LED ['S/L conversion contract'] and to provide maintenance services to all legacy and converted LED street lights ['S/L maintenance contract'].

While quarterly payments due under the S/L maintenance contract are under standard 30-day terms, amounts with respect to the S/L conversion contract are facilitated through an interest-bearing long-term open note at a fixed rate of 3%. Amounts billed to the City of Ottawa under the S/L conversion contract are added to the note receivable as progress towards ultimate completion occurs. As stipulated in the S/L conversion contract, the City of Ottawa is to make quarterly payments to the Corporation based on a combination of electricity savings, maintenance savings and capital expenditure savings the City of Ottawa has realized as result of the more efficient LED streetlights installed to date, until the note is repaid in full.

The outstanding note receivable was repaid in full in 2022 by the City of Ottawa and as at December 31, 2022, the outstanding balance was $nil [2021 – $19]. The Corporation continues to provide streetlight conversion services to the City of Ottawa, new contracts are entered into under standard payment terms of 30-days.

The Corporation carries inventory of $1,551 relating to City of Ottawa streetlight conversion and maintenance endeavours at December 31, 2022 [2021 – $1,208]. During the year, the Corporation expensed $2,349 of inventory as cost of goods sold which is included in operating costs [2021 – $2,026].

(c) Zibi Community Utility LP

On January 22, 2021, the Corporation entered into a mirror loan agreement with ZCU to flow through funds received from Federation of Canadian Municipalities ['FCM'] to its joint venture to fund an ongoing green district energy construction project undertaken by ZCU. The agreement mirrors the terms of the FCM loan and grant agreement discussed in Note 15, which allows ZCU to borrow the lesser of $20,000 and 69.6% of eligible project expenditures, repayable over a term of 20 years and receive a non repayable grant based on the total eligible project expenditures incurred.

The loan, bearing interest of 4.48% [December 31, 2021 – 4.31%], was issued to ZCU on February 18, 2021 and as at December 31, 2022 has an outstanding balance of $17,625 [December 31, 2021 – $15,741]. Interest payments are due semi-annually on the principal amount outstanding, with principal payments beginning 36 months after the final tranche of the loan is disbursed and ending on February 18, 2041.

10. NOTES RECEIVABLE FROM RELATED PARTIES [CONTINUED]

(c) Zibi Community Utility LP [continued]

In addition, the mirror agreement also includes a loan arrangement fee payable by ZCU to the Corporation at a rate of 1.1% per annum on the initial principal amount of the loan. As at December 31, 2022, the Corporation has received $900 [December 31, 2021 – $900] in loan arrangement fees and is included in deferred revenue and amortized over the term of the loan.

11. SHORT-TERM BORROWINGS

During the year, the Corporation renewed its credit facility in an amount of $441,000 and US$200 at December 31, 2022 [December 31, 2021 – $441,000 and US$200]. The facility is structured into three types of credit availability and consists of a $440,000 [2021 – $440,000] revolving operating line maturing on August 1, 2025 and commercial card facilities of $1,000 and US$200 [2021 – $1,000 and US$200]. The revolving operating lines are committed and unsecured and can be drawn for prime rate loans, bankers' acceptances, letter of credit and other bank guarantee issuances and to backstop the Corporation's Commercial Paper Program as discussed below. Generally, the need to use these forms of credit is based on Hydro Ottawa Holding Inc.'s consolidated cash position and therefore any drawings outstanding may not necessarily coincide with the amount of outstanding amounts on the working capital facility presented on the Corporation's consolidated balance sheet. This credit facility contains customary covenants and events of default including a covenant that requires the debt to capitalization ratio to be at or below 75% on a consolidated basis.

In 2021, the Corporation launched a Commercial Paper Program permitting the issuance of up to $400,000 of unsecured short-term promissory notes to be issued in various maturities of no more than one year. Proceeds from the issuance of commercial paper are used to fund general corporate purposes. The Commercial Paper Program is backstopped by the Corporation's credit facility and reduces the credit facility capacity, at any given time, by the total amount of commercial paper issued and outstanding. Borrowings under the Commercial Paper Program bear interest based on the prevailing market conditions at the time of issuance and had a weighted average interest rate of 2.40% during the 2022 year [2021 – 0.52%]. As at December 31, 2022, the Corporation had $276,390 in commercial paper outstanding consisting of three tranches: $126,954, $74,853, and $74,583 maturing on January 4, 2023, January 18, 2023, and February 16, 2023, respectively [December 31, 2021 – $190,000, with a maturity date of January 7, 2022].

At December 31, 2022, the Corporation had drawn $10,600 in direct advances against the revolving operating line of credit [2021 – $28,850] and $nil in bankers' acceptances against the $440,000 revolving operating line [2021 – $nil and $440,000].

At December 31, 2022, the Corporation has drawn $10,134 [2021 – $10,672] against its facilities in standby letters of credit. Drawings include a $10,000 [2021 – $10,000] letter of credit to cover its prudential support obligation as described in Note 26; and a letter of credit to Her Majesty the Queen on behalf of ZCU of $134 [2021 – $134].

On October 14, 2021, CFLP signed a new 3 year $14,526 working capital facility to fund working capital needs and/or letter of credit bond indenture requirements of CFLP, CHLP North and Hull Energy LP. The borrowers may draw from the facility by way of prime rate loans, banker acceptances or letter of credit issuances. During 2022, pursuant to the terms of the CFLP Trust Indenture, standby letters of credit were issued for the Debt Service Reserve Account ['DSRA'] as described in Note 15 in the amount of $5,120 [December 31, 2021 – $5,120], the Major Maintenance Reserve Accounts ['MMRA'] for CHLP North and Hull Energy LP in the amount of $520 and $1,040 respectively [December 31, 2021 - $520 and $1040]. As at December 31, 2022, direct borrowings of $nil were outstanding and the facility had $7,846 available for general business purposes [December 31, 2021 – $nil and $7,846].

[in thousands of Canadian dollars]

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022 $	2021 $
Purchased power payable	**70,404**	80,154
Trade accounts payable and accrued liabilities	**49,256**	51,798
Customer deposits	**35,433**	38,617
Customer credit balances	**13,137**	13,046
Accrued interest on long-term debt	**13,246**	8,068
Due to related parties [Note 28]	**259**	456
	181,735	192,139

In 2019, the Corporation conducted a true-up calculation in connection with one of its cost recovery agreements with HONI as described in Note 26. The Corporation determined that it was obligated to make up a shortfall and accordingly set-up a provision. As at December 31, 2021, the Corporation maintained a provision of $3,400, which was included in accounts payable and accrued liabilities. In 2022, the Corporation received the final CCRA calculation from HONI, which required it to pay $2,509. The Corporation paid the $2,509 in 2022.

13. DEFERRED REVENUE

	2022 $	2021 $
Capital contributions from customers	**112,116**	97,557
Capital contributions from developers	**132,838**	119,474
Loan arrangement fee received [Note 10(c)]	**900**	900
Loan arrangement fee recognized to income [Note 10(c)]	**(73)**	(39)
Other deferred revenue	**120**	120
	245,901	218,012
Less: current portion	**7,458**	6,831
	238,443	211,181

14. EMPLOYEE FUTURE BENEFITS

(a) Pension plans

The Corporation contributes to two defined benefit plans covering substantially all of its employees.

The Corporation's participating employer contributions under OMERS for the year ended December 31, 2022 amounted to $6,801 [2021 – $6,538]. The Corporation also provides retirement benefits to certain employees through the Chaudiere Hydro Pension Plan.

14. EMPLOYEE FUTURE BENEFITS [CONTINUED]

(a) Pension plans [continued]

Information about the Chaudiere Hydro Pension Plan is as follows:

(i) Defined benefit obligation

	2022 $	2021 $
Balance, beginning of year	**8,168**	8,725
Current service cost	**109**	136
Interest cost	**242**	215
Benefits paid	**(951)**	(299)
Employee contributions	**68**	76
Actuarial gain	**(2,015)**	(685)
Balance, end of year	**5,621**	8,168

(ii) Plan assets

	2022 $	2021 $
Fair value, beginning of year	**7,562**	7,522
Interest credit	**227**	187
Employer contributions	**248**	262
Benefits paid	**(951)**	(299)
Non-investment expenses	**(80)**	(91)
Employee contributions	**68**	76
Actuarial loss	**(1,653)**	(95)
Fair value, end of year	**5,421**	7,562

(iii) Funded status

	2022 $	2021 $
Net defined benefit liability, beginning of year	**(606)**	(1,203)
Change in net defined benefit liability	**406**	597
Funding deficit	**(200)**	(606)
Impacts on minimum funding requirements	**(60)**	-
Net defined benefit liability, end of year	**(260)**	(606)

14. EMPLOYEE FUTURE BENEFITS [CONTINUED]

(a) Pension plans [continued]

The assets of the Chaudiere Hydro Pension Plan are held and managed by an independent custodian and accounted for separately in the Corporation's pension plan. The asset allocation structure is subject to diversification requirements and constraints which reduce risk by limiting exposure to individual equity investments, credit rating categories and foreign currency exposures. Based on the fair value of assets held as at December 31, 2022, the Chaudiere Hydro Pension Plan's assets were comprised of nil% [2021 – 76.1%] fixed income Canadian bonds, nil% [2021 – 23.9%] Canadian and international equities and 100% [2021 – nil%] in alternative investments. The Chaudiere Hydro Pension Plan's investments are primarily held and managed in pooled funds, and thus do not have a quoted market price in an active market.

Employee future benefits under the Chaudiere Hydro Pension Plan are calculated using an annual compensation rate of 2.0% [2021 – 2.0%], an inflation rate of 2.0% [2021 – 2.0%] and a discount rate of 5.1% [2021 – 3.0%]. The valuations also include several other economic and demographic assumptions including mortality rates, which are based on the Canadian Pensioners' Mortality report published by the Canadian Institute of Actuaries in February 2014.

An actuarial extrapolation was performed at December 31, 2022 and December 31, 2021. The last actuarial valuation was performed at January 1, 2020.

Significant actuarial assumptions for defined benefit obligation measurement purposes are discount rate and salary scale. The following sensitivities are based on reasonable changes of the assumptions, in isolation of one another, occurring at the end of the reporting period. A 1.0% decrease in discount rate would increase the defined benefit obligation by $683 or 12.1% [2021 – $598 or 12.9%], while a 1.0% increase in salary scale would increase the defined benefit obligation by $165 or 2.9% [2021 – $76 or 1.6%].

(b) Other post-employment benefits

The Corporation provides life, health and dental benefits to certain employees. Employee future benefits are calculated using an annual compensation rate increase of 2.0% [2021 – 2.0%] and a discount rate of 5.0% [2021 – 3.0%]. Cost trends for health are estimated to increase [at a declining rate from 6.0% to 5.0%] and dental benefits are estimated to increase by 5.1% per annum. The valuations also include several other economic and demographic assumptions including mortality rates, which are based on the Canadian Pensioners' Mortality report published by the Canadian Institute of Actuaries in February 2014.

Information about the Corporation's other post-employment benefits is as follows:

	2022	2021
	$	$
Defined benefit obligation, beginning of year	**15,625**	16,867
Current service costs	**798**	526
Interest on defined benefit obligation	**480**	422
Remeasurement of the defined benefit obligation	**(557)**	(84)
Benefits paid	**(814)**	(839)
Actuarial gain	**(3,150)**	(1,267)
Defined benefit obligation, end of year	**12,382**	15,625

An actuarial valuation was performed as at December 31, 2022. As a result of this exercise, the Corporation decreased the accumulated liability by $3,243 [December 31, 2021 – decreased by $1,242 based on an actuarial extrapolation].

Significant changes in actuarial assumptions related to discount rates, future health and dental costs, mortality rates and retirement age may affect the valuation of the defined benefit obligation.

Hydro Ottawa Holding Inc.

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15. LONG-TERM DEBT

	2022	2021
	$	$
Senior unsecured debentures		
Series 2006-1, 4.97%, due December 19, 2036	**50,000**	50,000
Series 2013-1, 3.99%, due May 14, 2043	**150,000**	150,000
Series 2015-1, 2.61%, due February 3, 2025	**200,000**	200,000
Series 2015-2, 3.64%, due February 2, 2045	**175,000**	175,000
Senior secured amortizing bonds		
Series 2016-1, 4.08%, due March 31, 2057	**202,630**	203,802
Series 2019-1, 3.53%, due December 31, 2059	**290,514**	290,514
Notes payable		
4.08% loan, due February 18, 2041	**17,625**	15,741
	1,085,769	1,085,057
Less: current portion	**(2,356)**	(1,172)
Less: unamortized debt-issuance costs	**(7,765)**	(8,095)
	1,075,648	1,075,790

(a) Senior unsecured debentures

Interest payments on each of the above debentures are payable semi-annually in arrears in equal installments. Each debenture contains customary covenants and events of default, including a covenant to ensure that the aggregate principal amount of the consolidated funded obligations does not exceed 75% of the total consolidated capitalization. Interest payments on these debentures will be $20,067 per year in 2023 and 2024, $17,453 in 2025 and $14,839 in 2026.

(b) Senior secured amortizing bonds

The Series 2019-1 senior secured amortizing green bonds [the '2019-1 bonds'] totalling $290,514 were issued on behalf of Hull Energy LP and CHLP North [refurbishment 'project owners'] in 2019. The Series 2019-1 bonds carry an interest rate of 3.53% and mature on December 31, 2059. Equal semi-annual interest-only payments are due and payable on June 30 and December 31 each year until and including June 30, 2024. Thereafter, semi-annual blended repayments of principal and interest will be due and payable on June 30 and December 31 each year commencing on December 31, 2024 until and including the maturity date. In addition, a balloon payment of $43,577 [15% of the principal] will be due and payable on the maturity date.

The Corporation's senior secured amortizing bonds [the '2016-1 bonds'] carry an interest rate of 4.08% and mature on March 31, 2057. Equal semi-annual interest-only payments were due and payable on March 31 and September 30 each year until and including March 31, 2022. Thereafter, semi-annual blended payments of principal and interest will be due and payable on March 31 and September 30 in each year commencing on September 30, 2022 until and including the maturity date. In addition, a balloon payment of $30,570 [15% of the principal] will be due and payable on the maturity date.

The 2019-1 bonds are secured by the total refurbishment project assets, where the project assets of Hull Energy LP and CHLP North represent 76.8% and 23.2% of the security, respectively. On December 31, 2021, the project owners achieved Full Recourse Release Date in accordance with the Trust Indenture [i.e. achievement of commercial operation, engineering signoffs, etc.], and guarantee of the payment of pro-rata principal and outstanding interest on behalf of each project owner was released by the Trustee and Collateral Agent [BNY Trust Company of Canada]. The 2016-1 bonds are secured by a first-charge interest on the assets of CHLP.

[in thousands of Canadian dollars]

15. LONG-TERM DEBT [CONTINUED]

(b) Senior secured amortizing bonds [continued]

In accordance with the Trust Indenture, CFLP was required to maintain in a DSRA [classified as restricted cash on the consolidated balance sheet], an amount equal to the next six months of interest and principal, funded in accordance with Chaudiere North LP's Pro Rata Portion of the DSRA. During 2022, the DSRA has been fully funded with a standby letter of credit as described in Note 11.

As required by the applicable Trust Indenture, CHLP is to maintain in a DSRA an amount equal to the next six months of interest and principal and payments due under the bonds; during the year CHLP deposited $5,330 [December 31, 2021 – $5,330] in the DSRA [classified as restricted cash on the consolidated balance sheet] to replace a standby letter of credit as described in Note 11. CHLP also maintained, in a Major Maintenance Reserve Account ['MMRA'], an amount that covers a portion of the projected major maintenance expenditures in the coming three years [2022 – $2,280 and 2021 – $2,400] which is also classified as restricted cash on the consolidated balance sheet.

During the year, CHLP North deposited $2,560 in the Over Production Sharing Reserve Account ['OPSRA'; classified as restricted cash on the consolidated balance sheet] pursuant to the terms of the Trust Indenture and the applicable Power Purchase Agreement.

The Corporation is required to maintain a minimum debt-coverage service ratio ['DCSR'] for both CFLP and CHLP. Both CFLP and CHLP's DCSR's divides the sum of the respective entities net operating and investing cash flows [as defined by their respective Trust Indentures] by the applicable interest and principal repayments due within the next calendar year. The Corporation was in compliance with all financial covenants associated with the 2019-1 and 2016-1 bonds at December 31, 2022 and 2021, as applicable

(c) Notes payable

On January 22, 2021, the Corporation entered into a loan and grant agreement with the FCM to fund an ongoing green district energy construction project undertaken by its 50% owned-and-controlled joint venture, ZCU. The FCM loan and grant agreement allows the Corporation to borrow the lesser of $20,000 and 69.6% of eligible project expenditures, repayable over a term of 20 years, in addition to a non-repayable grant based on the total eligible project expenditures incurred.

The loan, bearing interest of 4.08% [December 31, 2021, 3.91%], was issued from FCM to the Corporation on February 18, 2021 and has an outstanding balance of $17,625 as at December 31, 2022 [December 31, 2021 – $15,741]. Interest payments are payable semi-annually on the principal amount outstanding, with principal payments beginning 36 months after the final tranche of the loan is received and ending on February 18, 2041. Interest payments on the loan will be $719 in 2023, $720 in 2024, $710 in 2025, $680 in 2026, and $647 in 2027. In addition, the Corporation received grant funds of $283 [2021 – $2,111] from FCM.

The Corporation has a mirror loan agreement with ZCU to flow through the above loan and grant funds received from FCM to its joint venture as discussed in Note 10(c).

16. OTHER LIABILITIES

	2022	2021
	$	$
Lease liabilities	**1,667**	1,730
Other	**411**	26
	2,078	1,756

16. OTHER LIABILITIES [CONTINUED]

The Corporation's lease liabilities are calculated under the assumption that all applicable renewal periods at the Corporation's option will be exercised, and thus have lease terms ranging between 2033 and 2040.

17. CAPITAL DISCLOSURES

The Corporation's main objectives when managing capital are to:

- Ensure continued access to funding to maintain and improve the operations and infrastructure of the Corporation;
- Ensure compliance with covenants related to the credit facilities and its long-term debt; and
- Align the capital structure of the Corporation's regulated subsidiary, Hydro Ottawa, with the debt to equity structure recommended by the OEB.

The Corporation's capital consists of the following:

	2022	2021
	$	$
Bank indebtedness, net of cash	**-**	5,185
Commercial paper	**276,390**	190,000
Long-term debt	**1,078,004**	1,076,962
Total debt	**1,354,394**	1,272,147
Equity	**526,944**	507,295
Total capital	**1,881,338**	1,779,442

A subsidiary of the Corporation, Hydro Ottawa is deemed by the OEB to have a capital structure that is funded by 56% long-term debt, 4% short-term debt and 40% equity. The OEB uses this deemed structure only as a basis for setting distribution rates. As such, the Corporation's actual capital structure may differ from the OEB deemed structure.

As at December 31, 2022, the Corporation's debt capitalization ratio, the calculation of which takes into account outstanding letters of credit, was 72.5% [2021 – 71.9%]. The Corporation is in compliance with all financial covenants and limitations associated with its credit facilities and its long-term debt.

The Corporation met its capital management objectives, which have not changed during the year.

[in thousands of Canadian dollars]

18. SHARE CAPITAL

(a) Authorized

Unlimited number of voting first preferred shares, redeemable at one dollar per share
Unlimited number of non-voting second preferred shares, redeemable at ten dollars per share
Unlimited number of non-voting third preferred shares, redeemable at one hundred dollars per share
Unlimited number of voting fourth preferred shares [ten votes per share], redeemable at one hundred dollars per share
Unlimited number of voting Class A common shares
Unlimited number of non-voting Class B common shares
Unlimited number of non-voting Class C common shares, redeemable at the price at which such shares are issued

The above shares are without nominal or par value.

Holders of second preferred shares, fourth preferred shares and common shares are entitled to receive dividends as and when declared by the Board of Directors at their discretion.

(b) Issued

	2022 $	2021 $
214,901,003 Class A common shares	**228,453**	228,453

Any invitation to the public to subscribe for shares of the Corporation is prohibited by shareholder resolution.

A shareholder's resolution directs the Corporation to target dividends at the greater of 60% of its subsidiary, Hydro Ottawa's net income or $20,000, provided that the Corporation is in compliance with the *Business Corporations Act (Ontario)* and relevant OEB Guidelines; is not in breach of any covenants on its senior unsecured debentures or credit facility obligations; and the payment thereof does not negatively impact the Corporation's credit rating.

On April 14, 2022, the Board of Directors declared a $23,700 dividend to the City of Ottawa, which was paid in increments of $8,700, $5,000, $5,000, and $5,000 on April 21, 2022, July 4, 2022, October 3, 2022 and December 1, 2022, respectively [April 15, 2021 the Board of Directors declared a $20,800 dividend to the City of Ottawa, which was paid in increments of $5,800, $5,000, $5,000, and $5,000 on April 22, 2021, July 2, 2021, October 1, 2021 and December 1, 2021, respectively].

Subsequent to year-end, the Board of Directors declared a $20,000 dividend on April 20, 2023 on the common shares of the Corporation outstanding on December 31, 2022.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value disclosures

The carrying value of the Corporation's financial instruments, except for the instruments described below, approximate fair value because of the short maturity and nature of the instruments. The fair value measurement of the financial instrument for which the fair value has been disclosed is included in Level 2 of the fair value hierarchy [Note 3(k)].

The Corporation has estimated the fair value of notes receivable from its joint ventures, Moose Creek LP and ZCU, as at December 31, 2022 as amounting to $nil and $16,850, respectively [2021 – $218 and $18,163, respectively]. The fair value has been determined based on discounting all estimated future repayments of principal and interest required to fully repay the loans at the estimated interest rate of nil% and 5.0% [2021 – 4.8% and 2.8%] that would be available to Moose Creek LP and ZCU on December 31, 2022, respectively.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

(a) Fair value disclosures [continued]

The Corporation has estimated the fair value of the senior unsecured debentures and notes payable as at December 31, 2022 as amounting to $523,894 [2021 – $657,759]. The fair value has been determined based on discounting all future repayments of principal and interest between February 3, 2025 and February 2, 2045 at the estimated interest rate of 5.0% [2021 – 2.8%] that would be available to the Corporation on December 31, 2022.

The Corporation has estimated the fair value of its senior secured amortizing bonds as at December 31, 2022 as amounting to $392,761 [2021 – $515,237]. The fair value has been determined based on discounting all estimated future repayments of principal and interest required to fully repay the bonds at the estimated interest rate of 5.4% [2021 – 3.5%] that would be available to the Corporation at December 31, 2022.

(b) Market risk

The Corporation is exposed to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risks: interest rate risk, foreign exchange risk and commodity price risk. As the Corporation has not entered into significant hedging transactions or derivative contracts, there is no exposure to commodity price risk.

(i) Interest rate risk

The Corporation is exposed to interest rate risk on its borrowings. Under the Corporation's credit facility, advances on its credit lines expose it to fluctuations in short-term interest rates related to prime rate loans and bankers' acceptances. In addition, the fees payable on bankers' acceptances via the operating and capital lines are based on a margin determined by reference to the Corporation's credit rating. The Corporation is also exposed to fluctuations in short term interest rates in connection with outstanding issuances under its Commercial Paper Program. Given the fact that the borrowing requirements on the credit lines are typically for a short duration [i.e., to bridge gaps between the cash outflows related to the Corporation's monthly power bill and the inflows related to settlements with customers, or the cash outflows related to significant capital acquisitions and the inflows related to the issuance of additional long-term fixed-interest-rate debt], and the Corporation incorporates a mix of fixed and floating rate instruments, there is limited exposure to interest rate risk.

The Corporation is also exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A sensitivity analysis was conducted to examine the impact of a change in the prime rate on the Corporation's outstanding drawings on its credit facility. A variation of 1% [100 basis points], with all other variables held constant, would increase or decrease the annual interest expense by approximately $2,870.

(ii) Foreign exchange risk

The Corporation's earnings from, and net investment in, its foreign operating subsidiary, EONY, are exposed to fluctuations in the U.S. dollar to Canadian dollar exchange rate. Also, the Corporation purchases a small proportion of goods and services that are denominated in foreign currencies, predominately the U.S. dollar. The Corporation monitors its exposure to foreign currency fluctuations on a regular basis, and has not used derivative instruments to hedge against these exposures to date. On an annual basis, it is estimated that a 5% increase [or decrease] in the U.S. dollar relative to the Canadian dollar exchange rate of U.S. $1 equals CDN $0.74 as at December 31, 2022 would increase [or decrease] the equity of the Corporation by approximately $2,984.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

(c) Credit risk

Credit risk is the risk that a counterparty will default on its obligations, causing a financial loss to the Corporation. Concentration of credit risk associated with electricity-related accounts receivable is limited due to the large number of customers the Corporation services. The Corporation has approximately 359,000 customers served by Hydro Ottawa, the majority of which are residential. As a result, the Corporation did not earn a significant amount of electricity-related revenue and does not have a significant electricity-related receivable from any individual customer. The Corporation is exposed to a concentration of credit risk in generation-related accounts receivable due to the small number of entities the Corporation services. The Corporation relies on its power purchase agreements with the IESO and the Niagara Mohawk Power Corporation to support its Canadian and U.S. generation operations.

The Corporation performs ongoing credit evaluations of its customers serviced by Hydro Ottawa and requires collateral to support non-residential customer accounts receivable on specific accounts to mitigate significant losses in accordance with OEB legislation. As at December 31, 2021, the Corporation held security deposits related to power recovery and distribution revenue in the amount of $14,533 [2021 – $13,516] with respect to these customers. The Corporation's other subsidiaries limit credit risk by dealing with customers that are considered to be of high credit quality. These customers include government agencies, utilities, municipalities, universities, school boards, hospitals, and customers with investment grade credit ratings.

The Corporation monitors and limits its exposure to credit risk on a continuous basis.

The Corporation applies the *IFRS 9 – Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The expected loss rates for trade receivables are based on the payment profiles of sales over a period of twelve months before December 31, 2022 or December 31, 2021 respectively and the corresponding historical credit losses experienced within this period and other information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31, 2022 and December 31, 2021 was determined as follows for trade and other receivables.

	Gross carrying amount $	Weighted average loss rate	Loss allowance $	Net carrying amount $
December 31, 2022				
Outstanding for 30 days or less	**87,014**	0.00 %	-	87,014
Outstanding for more than 30 days but no more than 120 days	**9,501**	12.69 %	1,206	8,295
Outstanding for more than 120 days	**3,441**	62.45 %	2,149	1,292
Unbilled receivables relating to electricity	**84,948**	0.79 %	675	84,273
	184,904		4,030	180,874
December 31, 2021				
Outstanding for 30 days or less	**87,278**	0.00 %	-	87,278
Outstanding for more than 30 days but no more than 120 days	**8,973**	9.66 %	867	8,106
Outstanding for more than 120 days	**3,088**	57.64 %	1,780	1,308
Unbilled receivables relating to electricity	**76,300**	0.64 %	492	75,808
	175,639		3,139	172,500

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

(c) Credit risk [continued]

The following table reconciles the opening and closing loss allowance for trade and other receivables:

	2022 $	2021 $
Balance, beginning of year	**3,139**	3,992
Net remeasurement of loss allowance	**2,454**	478
Write-offs	**(1,709)**	(1,453)
Recoveries of amounts previously written-off	**146**	122
Balance, end of year	**4,030**	3,139

Impairment losses on trade and other receivables are presented as net impairment losses within the consolidated statement of income. When a receivable is deemed to be uncollectible, it is written off and the expected loss allowance is adjusted accordingly. Subsequent recoveries of receivables previously provisioned or written off result in a reduction of impairment losses included in operating costs in the consolidated statement of income.

As at December 31, 2022, the Corporation's maximum exposure to credit risk is equal to the carrying value of accounts receivable less customer deposits held.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not meet its financial obligations as they come due. The Corporation regularly monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and capital investment requirements. The Corporation achieves this objective by ensuring that sufficient facilities, as described in Note 11, are maintained to meet obligations as they come due while minimizing standby fees and interest.

[in thousands of Canadian dollars]

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

(d) Liquidity risk [continued]

Liquidity risks associated with financial commitments are as follows:

	2022		
	Due within one year	**Due between one and five years**	**Due after five years**
	$	**$**	**$**
Bank indebtedness	**12,272**	**-**	**-**
Commercial paper [1]	**276,390**	**-**	**-**
Accounts payable and accrued liabilities	**181,735**	**-**	**-**
Senior unsecured debentures			
Series 2006-1, 4.97%, due December 19, 2036	**-**	**-**	**50,000**
Series 2013-1, 3.99%, due May 14, 2043	**-**	**-**	**150,000**
Series 2015-1, 2.61% due February 3, 2025	**-**	**200,000**	**-**
Series 2015-2, 3.64%, due on February 2, 2045	**-**	**-**	**175,000**
Senior secured amortizing bonds			
Series 2016-1, 4.08%, due March 31, 2057	**2,356**	**10,674**	**189,600**
Series 2019-1, 3.53%, due December 31, 2059	**-**	**8,510**	**282,004**
Loan			
3.91% loan, due February 18, 2041	**-**	**2,398**	**15,227**
Interest to be paid on long-term debt	**39,271**	**142,467**	**593,515**
	512,024	**364,049**	**1,455,346**

[1] The notes under the Commercial Paper Program were issued at a discount and repaid at their principal amount.

20. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER SOURCES

The Corporation's revenue breakdown is as follows:

	2022	2021
	$	$
Revenue from contracts with customers		
Power recovery and distribution		
Residential service [1]	**422,311**	418,105
General service [2]	**587,499**	589,019
Large users [3]	**63,576**	65,670
	1,073,386	1,072,794
Generation	**45,336**	45,854
Commercial services		
Lighting	**9,862**	9,804
Buildings	**7,366**	7,354
Electrical	**6,491**	3,936
Service work related to distribution operations	**6,164**	6,145
Pole attachment and duct rental	**3,689**	4,285
	33,572	31,524
Other		
Account-related charges and miscellaneous	**4,636**	4,517
Capital contributions from customers amortized to revenue	**3,301**	3,040
	7,937	7,557
	1,160,231	1,157,729
Revenue from other sources		
Other		
Investment property rentals	**1,675**	1,077
Capital contributions from developers amortized to revenue	**3,579**	2,983
	5,254	4,060
	1,165,485	1,161,789

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

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

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

21. OPERATING COSTS

	2022 $	2021 $
Salaries, wages and benefits	**92,660**	87,058
Contracted services - distribution system maintenance	**15,133**	11,186
Contracted services - customer owned plant	**6,015**	4,365
Contracted services - other	**19,159**	16,567
General and administrative	**44,702**	37,121
Other electricity distribution costs	**9,238**	8,076
Inventory expensed as cost of goods sold and other	**2,349**	2,026
Capital recovery	**(28,632)**	(30,202)
Gain on property insurance proceeds from third party	**-**	(290)
	160,624	135,907

22. FINANCING COSTS

	2022 $	2021 $
Interest on long-term debt	**39,635**	39,334
Short-term interest and fees relating to credit facility	**6,154**	2,337
Interest on lease liabilities	**86**	90
Less: capitalized borrowing costs	**(849)**	(3,659)
	45,026	38,102

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23. INCOME TAXES

Income tax expense recognized in net income comprises the following:

	2022 $	2021 $
Current tax expense		
Current income tax expense	**1,467**	2,974
Deferred income tax expense		
Origination and reversal of temporary differences	**19,500**	18,311
Income tax expense recognized in net income	**20,967**	21,285

Income tax expense recognized in OCI comprises the following:

	2022 $	2021 $
Income tax effect on exchange differences on translation of foreign subsidiary	**1,032**	(9)
Other	**1,137**	598
Income tax expense recognized in other comprehensive income	**2,169**	589

The provision for income taxes differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rates. A reconciliation between the statutory and effective tax rates is provided as follows:

	2022 $	2021 $
Federal and Ontario statutory income tax rate	**26.50 %**	26.50 %
Income attributable to equity shareholder before income taxes	**60,641**	68,641
Income taxes at statutory rate	**16,070**	18,190
Increase (decrease) in income taxes resulting from:		
Permanent differences	**2,374**	7,554
Tax rate differential on net capital loss carryforwards and other	**1,900**	(2,855)
Impact on foreign exchange translation on subsidiary	**25**	(63)
Foreign tax rate differential	**2**	(129)
Provision to return adjustment	**(212)**	(189)
Change in unrecognized tax benefit	**514**	(1,480)
Tax impact on joint venture	**(89)**	(207)
Other	**383**	464
	20,967	21,285
Effective income tax rate	**34.57 %**	31.01 %

[in thousands of Canadian dollars]

23. INCOME TAXES [CONTINUED]

The Corporation's subsidiary Hydro Ottawa, as a rate-regulated enterprise, is required to recognize deferred income tax assets and liabilities and related regulatory deferral account credit and debit balances for the amount of deferred income taxes expected to be refunded to, or recovered from, customers in future electricity rates.

Significant components of the Corporation's net deferred income tax asset are as follows:

	2022 **$**	2021 $
Property, plant and equipment and intangible assets	**2,900**	5,077
Employee future benefits	**139**	196
Non-capital loss carryforwards	**4,281**	2,250
Other temporary differences	**(588)**	(600)
	6,732	6,923

Significant components of the Corporation's net deferred income tax liability are as follows:

	2022 **$**	2021 $
Property, plant and equipment and intangible assets	**(114,647)**	(97,537)
Tax recognized in OCI	**(1,885)**	(840)
Non-capital loss carryforwards	**29**	-
Net capital loss carryforwards	**1,961**	6,051
Employee future benefits	**4,142**	5,224
Other	**3,528**	1,469
	(106,872)	(85,633)

Movements in the net deferred income tax asset balances during the year were as follows:

	2022 **$**	2021 $
Deferred income tax asset, beginning of year	**6,923**	15,551
Impact of foreign exchange rate change on opening deferred income tax asset balance	**239**	(140)
Recognized in net income	**(354)**	(8,368)
Recognized in OCI	**(76)**	(120)
Deferred income tax asset, end of year	**6,732**	6,923

23. INCOME TAXES [CONTINUED]

Movements in the net deferred income tax liability balances during the year were as follows:

	2022 **$**	2021 $
Deferred income tax liability, beginning of year	**(85,633)**	(75,221)
Recognized in net income	**(19,145)**	(9,943)
Recognized in OCI	**(2,094)**	(469)
Deferred income tax liability, end of year	**(106,872)**	(85,633)

The Corporation's regulatory deferral account debit balance for the amounts of deferred income taxes expected to be collected from customers in future electricity rates is $74,239 [2021 – $61,860].

As at December 31, 2022, the Corporation had Canadian capital losses of $1,415 [2021 – $1,415] and Canadian non-capital losses of $3,373 [2021 – $1,435] for which the tax benefit has not been recognized in these consolidated financial statements.

As at December 31, 2022, the Corporation had Canadian non-capital losses of $10,023 [2021 – $7,939] for tax purposes for which the tax benefit has been recognized in these consolidated financial statements. As at December 31, 2022, the Corporation had Canadian capital losses of $7,816 [2021 – $24,123], for which the tax benefit has been recognized in the consolidated financial statements.

As at December 31, 2022, the Corporation has U.S. losses carried forward of $6,763 federally [December 31, 2021 – $557] and $4,509 [December 31, 2021 – $557] in New York State that can be carried forward indefinitely. Losses of $6,763 federally [December 31, 2021 – $557] and $4,509 [December 31, 2021 – $557] in New York State are considered more likely than not to be realized, resulting in a recognized deferred income tax asset of $1,652 [December 31, 2021 – $146].

Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. Net deferred income tax assets of $2,389 [2021 – $1,503] have been recognized in EONY as there is sufficient positive evidence to demonstrate that it is probable that a net deferred income tax asset will be realized. Factors considered include: historic and expected future taxable income and the nature, amount and expected timing of reversal of taxable temporary differences.

A deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries and investments in joint ventures has not been recognized as the Corporation is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

[in thousands of Canadian dollars]

24. CHANGES IN NON-CASH WORKING CAPITAL AND OTHER OPERATING BALANCES

	2022 **$**	2021 $
Accounts receivable	**(8,154)**	31,749
Prepaid expenses	**(1,486)**	143
Note receivable from parent	**19**	11,039
Accounts payable and accrued liabilities	**(16,420)**	(11,380)
Inventory	**(344)**	84
Customer deposits in accounts receivable	**3,194**	(3,175)
Net change in accruals related to property, plant and equipment	**7,073**	8,649
Net change in accruals related to intangible assets	**-**	(26)
	(16,118)	37,083

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022 **$**	2021 $
Long-term debt, beginning of year	**1,075,790**	1,060,896
Proceeds from issuance of long-term debt	**1,884**	15,741
Current portion of long-term debt	**(2,356)**	(1,172)
Amortization of debt-issuance costs expensed	**330**	325
Long-term debt, end of year	**1,075,648**	1,075,790

26. CONTINGENT LIABILITIES

Purchasers of electricity from the IESO are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Corporation fails to make a payment required by a default notice issued by the IESO. A prudential support obligation is calculated based upon a default protection amount and the distributor's trading limit less a reduction for the distributor's credit rating. As at December 31, 2022, the Corporation had drawn standby letters of credit in the amount of $10,000 [2021 – $10,000] against its credit facility to cover its prudential support obligation.

The Corporation participates with other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. The Corporation is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred. If any additional assessments were required in the future, their cost would be charged to income in the year during which they occur.

26. CONTINGENT LIABILITIES [CONTINUED]

The Corporation is party to connection and cost recovery agreements with HONI as described in Note 7 of these consolidated financial statements. Each of the Corporation's CCRAs has a term of 25 years. To the extent that the cost of a project is not recoverable from future transformation connection revenues, the Corporation is obligated to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to the Corporation. These agreements require periodic reviews whereby a comparison of actual to forecasted load is conducted, and a true-up calculation performed. When a true-up calculation shows the Corporation’s actual load for the past period and updated load forecast for the future period are lower than the initial load, the Corporation is obligated to make up this shortfall. When the Corporation's actual load and updated load forecast are higher than the initial load, the Corporation is entitled to a rebate. HONI is expected to perform true-up calculations in years 5 and 10 and in year 15 if the difference between the actual incremental load and initial load at the end of year 10 is greater than 20%.

Various lawsuits have been filed against the Corporation for incidents that arose in the ordinary course of business. In the opinion of management, the outcomes of the lawsuits, now pending, are neither determinable nor material. Should any loss result from the resolution of these claims, such losses would be claimed through the Corporation’s insurance carrier, with any unrecoverable amounts charged to income in the year of resolution.

27. COMMITMENTS

As at December 31, 2022, the Corporation has $107,939 in total open commitments spanning between 2023 and 2029. These include commitments relating to a call centre services agreement, distribution-related construction projects, overhead and underground services and other services relating to the Corporation's operations.

The Corporation maintains leases with various entities for the rights to certain lands, waterways, buildings and other generating assets at its generating stations in Ontario, Québec and New York. These leases are in place through various dates, ranging between September 30, 2022 and December 13, 2116. Certain leases have annual payments which have a fixed and contingent portion, the latter of which is based on either annual gross revenues or power generation levels and are not factored in the calculation of the Corporation's lease liability or effective lease term. The Corporation's anticipated future minimum lease payments will be: 2023 to 2027 – $746 and $37,943 thereafter.

28. RELATED PARTY TRANSACTIONS

Transactions with related parties occur in the normal course of business, and are transacted at the amount of consideration determined and agreed to by the related parties. Trade amounts due from and to related parties are non-interest bearing, result from normal operations and are due within one year.

(a) Transactions and balances outstanding with parent

During the year, the Corporation earned power recovery and distribution revenue from the City of Ottawa and its other subsidiaries, which was billed at prices and terms approved by the OEB. In addition, the Corporation earned commercial services revenue from the City of Ottawa and its other subsidiaries totaling $364 [2021 – $321] via its regulated subsidiary, Hydro Ottawa, and $18,336 [2021 – $16,281] via Envari. During the year, the Corporation also received $6,055 [2021 – $4,676] in contributions relating to the upgrade and/or expansion of the Corporation's existing electricity distribution infrastructure and $nil [2021 – $4] in proceeds from the sale of vacant land; earned $19 [2021 – $164] in interest revenue with respect to the note receivable from the City of Ottawa; incurred $33 [2021 – $35] in lease interest expense and made $52 [2021 – $49] in lease liability repayments with respect to a long-term lease outstanding with the City of Ottawa at December 31, 2022.

[in thousands of Canadian dollars]

28. RELATED PARTY TRANSACTIONS [CONTINUED]

(a) Transactions and balances outstanding with parent [continued]

The Corporation incurred $4,998 [2021 – $3,920] of operating costs to the City of Ottawa. The Corporation also incurred $846 [2021 – $564] in building permit costs and development charges, which are included in property, plant and equipment.

As at December 31, 2022, the Corporation's accounts receivable and customer deposits include $15,857 [2021 – $10,550] and $1,711 [2021 – $1,573], respectively, while the Corporation's accounts payable and accrued liabilities include $259 [2021 – $456] due to the City of Ottawa and its subsidiaries in respect of the transactions described above. In addition, the Corporation's note receivable from the City of Ottawa is disclosed in Note 10 of these consolidated financial statements and the Corporation's long-term lease liability to the City of Ottawa included in Note 16 at December 31, 2022 is $776 [2021 – $828].

(b) Transactions and balances outstanding with joint ventures

(i) Moose Creek LP

During the year, the Corporation earned interest income in the amount of $2 [2021 – $22] on its note receivable from the Moose Creek LP joint venture, as well as $43 [2021 – $41] in other revenue for the provision of administrative services. As at December 31, 2022, the Corporation's accounts receivable include $4 [2021 – $5] due in respect of the transactions described for balances paid on behalf of Moose Creek LP.

The Corporation's note receivable from Moose Creek LP is disclosed in Note 10 of these consolidated financial statements.

(ii) PowerTrail

During the year, the Corporation earned other revenue of $43 [2021 – $41] for the provision of administrative services. As at December 31, 2022, the Corporation's accounts receivable include $36 [2021 – $nil] due in respect of the transactions described.

(iii) ZCU

During the year, the Corporation earned interest income in the amount of $758 [2021 – $437] on its note receivable from ZCU disclosed in Note 10 of these consolidated financial statements. At December 31, 2022, accounts receivable includes $303 due from ZCU with respect to the transactions described [2021 – $253 with respect to amounts paid on the joint venture's behalf].

(c) Compensation of key management personnel

	2022	2021
	$	$
Salaries, director fees and other short-term benefits	**1,906**	1,881
Employee future benefits	**551**	224
Other long-term benefits	**33**	30
	2,490	2,135

29. COMPARATIVE INFORMATION

Certain comparative figures have been adjusted to conform to the current period’s presentation. For the comparative consolidated balance sheet, $6,711 was removed from deferred revenue [non-current liabilities] relating to the current portion that should be excluded from the respective line item, and reclassified to deferred revenue [current liabilities].

Governance and Executive Compensation

Corporate Governance

In keeping with its commitment to robust Environmental, Social and Governance (ESG) performance, Hydro Ottawa continues to establish and maintain leading governance practices for a company of its size and mandate. Because governance standards and best practices are always evolving, the company seeks to continuously improve its governance practices.

Hydro Ottawa Holding Inc. is a private, for-profit company, incorporated under the *Business Corporations Act* (Ontario). At the same time, the company is wholly owned by the City of Ottawa and fulfills a public mandate, and is therefore mindful of its responsibility to be accountable both to its shareholder and the public.

While Hydro Ottawa is not a reporting issuer under the *Securities Act* and is therefore not subject to governance standards that apply to publicly-traded companies, the company is guided by these standards and seeks to meet or exceed them. In addition, Hydro Ottawa regularly compares its governance practices to those of private and public sector organizations, and to standards set by agencies such as the Canadian Securities Administrators and the Ontario Securities Commission.

Governance Structure

Accountability for the effective oversight of the Corporation (Hydro Ottawa Holding Inc.) and its subsidiaries rests with a thirteen-member Board of Directors, which provides direction to the Corporation on behalf of the shareholder, the City of Ottawa. The Board provides leadership within a framework of effective controls that enables risks to be assessed and managed, and is responsible for supervising the management of the business and affairs of the Corporation and its subsidiaries. In carrying out its oversight function, the Board of Directors is guided by a Shareholder Declaration issued by Ottawa City Council and revised from time to time. The Corporation's Code of Business Conduct, its Director Conflict of Interest and Conduct Guidelines, and a Related Party Transaction Disclosure Policy and Process also govern the actions of the Board.

In 2006, a separate Board of Directors was established to oversee the operations of Hydro Ottawa Limited, in accordance with the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the Ontario Energy Board. The powers and functions of that Board are set out in a Shareholder Declaration issued by the Hydro Ottawa Holding Inc. Board of Directors. On a day-to-day basis, the Corporation is led by an Executive Management Team, comprising the Corporation's President and Chief Executive Officer, the Chief Financial Officer, and the senior executives of the subsidiaries and critical functional areas. This team oversees the alignment of business practices and strategies with the goals of the Corporation, and drives performance by managing risks and opportunities. The Executive Management Team is accountable to the Corporation's Board of Directors through the President and Chief Executive Officer.

Appointments to the Boards of Directors

As noted above, the governance structure for the Corporation and its subsidiaries includes two boards of directors – the Hydro Ottawa Holding Inc. Board and the Hydro Ottawa Limited Board.

In accordance with the terms of the Shareholder Declaration, the City of Ottawa appoints all directors to the boards except the President and Chief Executive Officer, and the one member of management on the Hydro Ottawa Limited

Board. In doing so, the City considers candidates recommended by the Nominating Committee of the Board of Hydro Ottawa Holding Inc., but is not obliged to select these candidates. The Nominating Committee is assisted by outside consultants in its search for candidates for appointment to the Boards.

As set out in the Shareholder Declaration, all candidates for appointment to the Boards must meet certain requirements, including demonstrated integrity and high ethical standards, relevant career experience and expertise, and an understanding of the role of Hydro Ottawa both as a service to local ratepayers and an asset of taxpayers.

In addition, the nomination and selection process is designed to maintain a Board that includes the following overarching competencies among one or more directors: strong business background, including competitive business experience and strategic planning; a strong financial background, including financial accreditation and public or private market financing experience; industry sector experience in the areas of business of the subsidiary companies; engineering experience; board experience; and merger and acquisition experience.

In step with its strong ESG culture, the Corporation seeks to establish representation on the Board that reflects the diverse population which Hydro Ottawa serves. A high level of gender diversity has been maintained on the Board over the years, with female representation consistently exceeding the national average by a significant margin (as compared to publicly-traded companies).

Key Governance Processes and Controls

Hydro Ottawa has established a number of leading governance processes and controls to assist the Board and executive management in carrying out their oversight functions.

Risk Management: An extensive, corporate-wide risk management system has been established to track indicative and predictive measures of risk. Risk assessments are included with regular reporting to the Board on all areas of the Corporation's operations.

Internal Audit: Hydro Ottawa conducts a rigorous internal audit program to verify controls and maximize business efficiency and effectiveness. A number of business processes and functions are audited annually based on an audit plan approved by the Board. The use of experienced auditors both internal and external to the Corporation ensures rigour and objectivity.

Business Continuity Plans: Plans are in place to ensure the continuance of critical operations in the event of a major emergency such as an imminent threat, natural disaster, pandemic or significant outage, and to return the Corporation to normal operations as quickly as possible after such an event. They include detailed strategies for the re-assignment of resources to critical processes, and redundant supply arrangements with critical external suppliers.

Committees

The following committees were created to help the Boards of Directors carry out their duties. The committees meet regularly and provide feedback on their discussions to their respective Boards.

Hydro Ottawa Holding Inc.

Audit: The Audit Committee reviews financial statements, accounting practices and policies, auditing processes and the results of internal and external audits and related matters. It also oversees financial risk management and assesses internal controls.

Governance and Management Resources: The Governance and Management Resources Committee reviews the Corporation's governance structures and practices to ensure that the Board of Directors can fulfill its mandate. It reviews management resources and compensation practices to ensure systems are in place to attract, retain, and motivate qualified management employees. It also reviews and assesses the performance of the President and Chief Executive Officer, oversees the Board Assessment process, and monitors compliance with codes of conduct.

Investment Review: The Investment Review Committee is responsible for assisting management and the Board of Directors in the review and pursuit of business development, acquisition, and investment opportunities. In carrying out these functions, the Committee focuses on the consistency of opportunities with strategic plans and investment guidelines, the maximization of shareholder value, and the management of risk.

Nominating: The Nominating Committee, with the assistance of outside consultants, identifies and evaluates potential candidates for appointment as directors. The Nominating Committee makes recommendations to the shareholder (represented by Ottawa City Council) for the appointment of directors.

Strategic Initiatives Oversight: The Strategic Initiatives Oversight Committee is responsible for assisting the Board of Directors in guiding management and providing support and focus for large-scale capital project efforts, as identified by the Board from time to time.

Statement of Executive Compensation

The Governance and Management Resources Committee of the Hydro Ottawa Holding Inc. Board of Directors is responsible for developing and recommending the approval of the compensation framework for the Corporation and each of its subsidiaries.

In developing the compensation framework, the Governance and Management Resources Committee is guided by two principles: the need to provide a total compensation package that will attract and retain qualified and experienced executives, and linking compensation to performance.

Executive compensation is reviewed by the Governance and Management Resources Committee and approved by the Board of Directors. In making its recommendations to the Board, the Committee examines the responsibilities and performance of individual executives, and considers the recommendations of the President and Chief Executive Officer.

In an effort to attract and retain qualified and experienced executives, the Corporation aims to offer a total compensation package that is competitive with other organizations of a similar size and scope. Executive compensation is reviewed on an annual basis and compared to market data, with the assistance of independent consultants, on an ad hoc basis to ensure competitiveness. In line with best practices for the sector, as identified by the Ontario Minister of Energy's Agency Review Panel in 2007, Hydro Ottawa applies a 50/50 weighting of market data from public and private comparators. The industry component of the market comparator group has a strong sector affiliation (e.g. Transportation and Utilities sector), and is assessed by revenue levels to ensure comparability.

Total cash compensation for Executives consists of two components: base salary and an at-risk performance incentive. (The President and Chief Executive Officer receives a base salary only).

The at-risk performance incentive component is paid on an annual basis, and is expressed as a percentage of base salary. It is designed to retain and motivate executives, to reward them for their performance during the preceding year, and to ensure alignment with shareholder objectives. Payments are based on the achievement of corporate and division objectives, both financial and non-financial, which are established each year by the Board of Directors. Non-financial targets are designed to achieve continuous improvement in relation to a number of strategic objectives including, but not limited to, customer service, operational and organizational efficiency and effectiveness, and service reliability.

Executives participate in a benefits program, which includes extended health care, dental care, basic and optional life insurance, and short-term and long-term disability insurance. Executives also participate in the OMERS pension plan. This plan is a multi-employer, contributory, defined benefit pension plan established by the Province for employees of municipalities, local boards, and school boards in Ontario. Pension benefits are determined by a formula based on the highest consecutive five-year average of contributory earnings and years of service. Pension benefits are subject to Shared Risk Indexing, meaning any indexation to increases in the Consumer Price Index is conditional upon the OMERS Sponsors Corporation Board's annual assessment of the overall financial health of the plan. Both participating employers and participating employees are required to make equal contributions to the plan based on the participating employees' contributory earnings. Earnings for pension purposes are capped by the plan.

Compensation of Officers and Board Members

Officers

Name and Principal Position[1]	Year	Base Salary ($)	At-Risk Performance Incentive ($)[2]	Other Compensation ($)[3]
Bryce Conrad President and Chief Executive Officer	2022	412,478	N/A	69,596
	2021	402,796	40,280[4]	60,671
	2020	402,583	N/A	44,826
Geoff Simpson Chief Financial Officer	2022	225,776	77,387	10,551
	2021	220,043	73,630	10,698
	2020	207,527	57,173	12,411
Guillaume Paradis Chief Electricity Distribution Officer	2022	186,887	64,058	19,382
	2021	182,008	57,559	21,789
	2020	168,211	42,287	18,893
Gregory Clarke Chief Electricity Generation Officer	2022	202,081	68,081	10,451
	2021	197,337	66,305	10,432
	2020	197,233	58,040	10,432
Adnan Khokhar Chief Energy and Infrastructure Services Officer	2022	203,493	68,557	10,336
	2021	198,716	68,259	10,320
	2020	198,612	58,446	12,455

1 Officers whose earnings are reported are those who occupied the position on December 31, 2022.

2 Amounts shown in this column reflect the at-risk performance incentive for the executive in respect of the achievement of the performance objectives for the previous financial year, paid in the reporting year. These amounts have been rounded to the nearest dollar.

3 Amounts in this column include Board-approved discretionary payments such as payments of earned and unused vacation credits, car allowance, computer allowance and employer's share of basic life insurance premiums. These amounts have been rounded to the nearest dollar.

4 The Board approved a one-time lump sum payment for Mr. Conrad in 2021 based on performance in 2020.

Board Members

The remuneration of the members of the Boards of Directors of Hydro Ottawa Holding Inc. and Hydro Ottawa Limited is determined by the City of Ottawa and the Hydro Ottawa Holding Inc. Board, respectively. In addition to reimbursement for reasonable out-of-pocket expenses incurred while performing their duties, directors receive an annual stipend and meeting fees for service:

- The Board Chair receives an annual stipend of $40,000;
- All other Board members receive an annual stipend of $7,000;
- The Board Chair receives $600 for each board or committee meeting chaired or attended;
- Committee Chairs receive $800 for each committee meeting chaired; and
- All other Board members receive $600 for each board or committee meeting attended.

Only one annual stipend is paid where an individual is a director of both the Hydro Ottawa Holding Inc. and Hydro Ottawa Limited Boards of Directors. Members of the Council of the City of Ottawa, as well as the President and Chief Executive Officer, and the one member of management on the Hydro Ottawa Limited Board receive no remuneration in their capacity as directors of the boards.

Board and Committee Meeting Attendance

The following tables illustrate the attendance of members at meetings of the Boards of Directors and their committees in 2022.

Hydro Ottawa Holding Inc.

Director	Board Meetings	Committee Meetings
Jim Durrell, C.M., ICD.D (Chair)	5/6	16/16
Bryce Conrad (President and CEO)	6/6	N/A
Bernie Ashe[1]	4/4	4/4
Yaprak Baltacioglu	6/6	8/8
Kim Butler	6/6	9/9
Catherine Clark[1]	4/4	2/2
Cathy Curry	6/6	1/1
Matt Davies	5/6	10/11
Jacqueline Gauthier	6/6	7/7
Jan Harder[2]	2/4	3/4
Cyril Leeder	6/6	9/9
Paul McCarney	5/6	7/8
Cyrus Reporter	5/6	6/6

1 Denotes incoming Board member whose term took effect July 1, 2022

2 Denotes outgoing Board member whose term ended on November 15, 2022

Hydro Ottawa Limited

Director	Board Meetings	Committee Meetings
Jim Durrell, C.M., ICD.D (Chair)	4/4	N/A
Bryce Conrad (President and CEO)	4/4	N/A
Guillaume Paradis	4/4	N/A

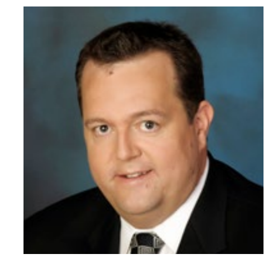
Note: Jan Harder was appointed to the Hydro Ottawa Holding Inc. Board of Directors effective December 10, 2014. She served on the Governance and Management Resources Committee and Nominating Committee until the end of her term on November 15, 2022.

We wish to convey our sincere appreciation to Jan Harder for her dedicated service.

Members of the Boards of Directors

Hydro Ottawa Holding Inc.


Jim Durrell, C.M., ICD.D (Chair)


Bryce Conrad

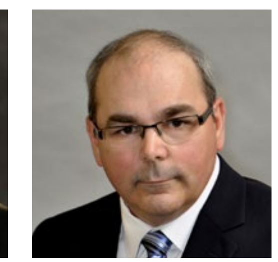

Bernie Ashe

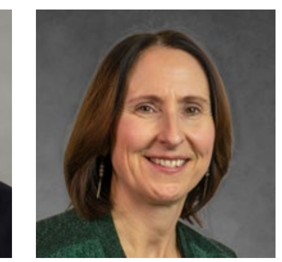

Yaprak Baltacioglu

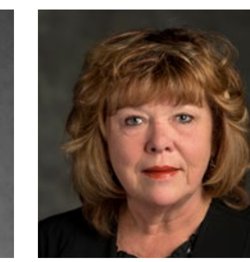

Kim Butler

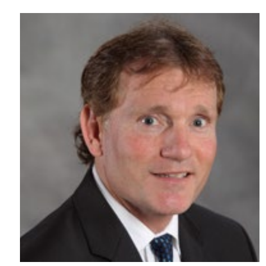

Catherine Clark

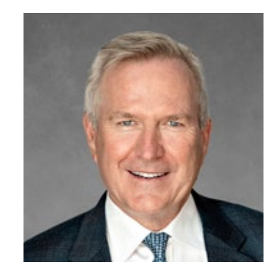

Cathy Curry

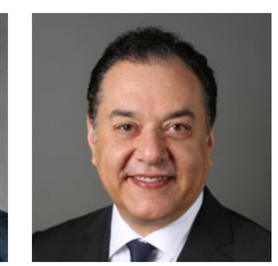

Matt Davies


Jacqueline Gauthier

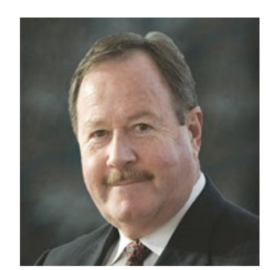

Jan Harder

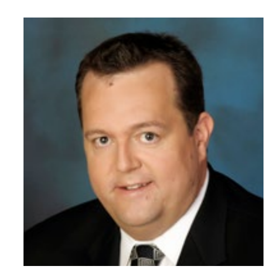

Cyril Leeder

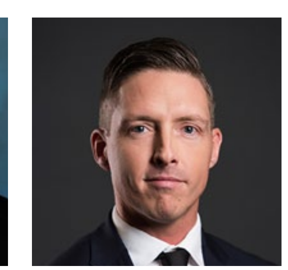

Paul McCarney


Cyrus Reporter

Hydro Ottawa Limited


Jim Durrell, C.M., ICD.D (Chair)


Bryce Conrad


Guillaume Paradis

Hydro Ottawa wishes to thank all of the employees whose photos appear in this Annual Report.

La version française du présent rapport annuel est affichée sur le site **powerasone.ca.**

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