



PUC GROUP OF COMPANIES | SUSTAINABILITY REPORT 2022

Laying The Groundwork For

Future Generations





Your Trusted Utility

for a Brighter Tomorrow

PUC Group of Companies (PUC) remains committed to being a valued partner in building sustainable and vibrant communities.

A sustainable future requires action now. This is why PUC is taking bold steps *today* that will change the way we will deliver services *tomorrow*.

Our approach to sustainability focuses on economic development, social responsibility, and environmental protection.

In 2022, PUC laid the groundwork on many fronts by continuing to invest in our people and infrastructure, while pursuing new growth opportunities and diversifying our services. This included PUC playing a key role as an early mover in energy transition to help our community and business/industry partners adapt to evolving energy trends and needs.

PUC is proud to show the stories of those efforts in our 2022 Sustainability Report.

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Message from Andy McPhee

Chair, PUC Services Inc. / PUC Inc.

As a true community partner in sustainable development, PUC is using innovation and strategic partnerships to advance projects that are meaningful to the communities we serve.

Our proud history of balancing growth with environmental sustainability and social responsibility is something that continues to serve our organization well, as we invest in our collective future. Never before, have we seen investments at this level in our infrastructure, our growth, and our customer's experience.

PUC's focus on our employees, our customers and our shareholder is at the centre of our Strategic Plan, and along with our Vision and Mission, acts as a compass guiding the bold decisions we have needed to make as we see ourselves in the middle of a rapidly changing sector.

I want to thank my fellow board members and the innovative employees at PUC who continue to push the boundaries every single day.

Andy McPhee

Chair, PUC Services Inc./PUC Inc. Board of Directors

Preparing for the Future

A conversation with Rob Brewer

President and CEO, PUC Services Inc.



► Q. It appears 2022 was another busy year for PUC. What was the highlight?

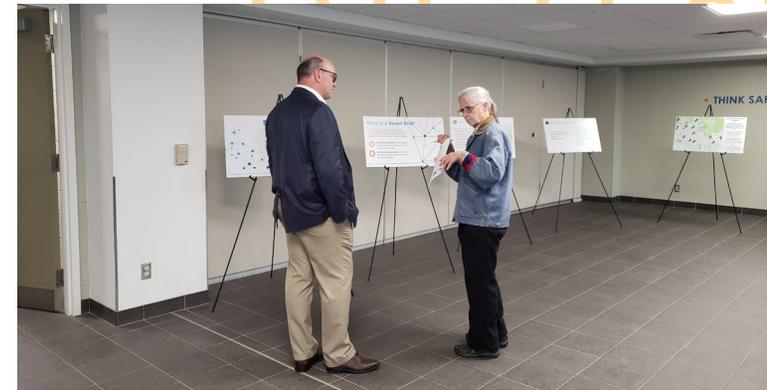
There's no doubt the work we accomplished to date in building the first community-wide smart grid in Canada is the most significant venture in PUC's history. It has been exciting to see so much progress achieved safely and on budget in 2022. Despite supply shortages impacting construction world-wide, we are on track for completion in 2023. This is in large part due to PUC's innovative and committed team. The highly complex project meant construction has been taking place simultaneously at multiple substations across the city while work behind the scenes focused on updating and configuring new software.

With boots on the ground in 2022, our team has set the stage for Sault Ste. Marie to make history in 2023 with PUC customers enjoying a transformation in the way electricity is delivered, providing increased reliability, improved communications and savings on energy consumption.

► Q. I understand PUC has created a new Community Donation Strategy to make every dollar work as effectively as possible to support those in need?

Giving back has always been a priority for PUC and its employees. In 2022 we implemented a new donation strategy with the goal of creating a greater impact in supporting members of our community in need. The new strategy allowed us to focus on smaller charitable organizations that were experiencing great demands yet, for the most part, had not benefited from donations from the larger corporate sector. PUC also focused on raising the profile of these charities to not only ensure those in need knew of their existence but to help draw in additional financial support.

I have been so impressed with how our employees have responded to the program, continuing to find new ways to help and identifying new charities that can make a difference in our community.





► **Q. How has PUC's work in 2022 helped to build a sustainable community?**

This was a significant year for laying the groundwork for supporting future generations.

PUC's commitment to being a forward-thinking and early mover in the energy transition underway is critical to ensure a vibrant and healthy future for the communities we serve.

Along with the smart grid, we've also invested in new infrastructure to support Algoma Steel's project to build and operate two state of the art electric arc furnaces leading to a 70 per cent reduction in carbon emissions.

We've also introduced the Electric Vehicle (EV) home charger rental program to help make the transition to green energy solutions more affordable for our customers.

This was also an important year for our Enterprise Risk Management Program. We are now in the implementation stage and will continue to refine controls and review risk technology to ensure we meet or exceed industry standards.

PUC also continues to invest in its most important asset - our people. Our safety record speaks for itself and it's part of our corporate culture as we put a high emphasis on safety training for staff and our contractors. We have had 1290 Days or 1,621,714 hours without a lost time incident with zero high risk employee incidents and zero high risk lost time incidents for 2022.

Those are numbers all of us at PUC and the community can be proud of.

► **Q. Speaking of numbers, an important part of supporting the sustainability of Sault Ste. Marie is ensuring its financial health. How has PUC helped?**

Not only does PUC continue to provide strong returns to the city as noted in our financial report but our enterprise value has continued to increase since 2017 and we project a 100 per cent increase by 2026.





Who We Are



OUR BRAND PROMISE

We lead the way through innovation and compassion to deliver outstanding service every single day.



OUR MISSION

We are a community leader providing safe and reliable utility services



OUR VISION

Improving communities through curiosity and innovation



OUR VALUES

Safety, Integrity, Customer-Centric, Innovative, Accountable



AREAS OF STRATEGIC FOCUS

Customers

Employees

Shareholder

Where We Operate

The PUC Group of Companies continues to 'Grow With Purpose'. Since 2018, PUC has expanded our footprint significantly to offer more services in more communities than we ever have before in our 105 year history. It is part of PUC's focus on strategic growth that is built upon a reputation of providing reliable, quality services to customers throughout Ontario.

In 2018, PUC operated within approximately 7 communities in Northern Ontario to provide:



Sault Ste. Marie



The supply, treatment and distribution of drinking water



The operation of wastewater treatment facilities



The supply of electricity

Today, PUC operates within 142 communities throughout Ontario to provide:



Sault Ste. Marie



The supply, treatment and distribution of drinking water



The operation of wastewater treatment facilities

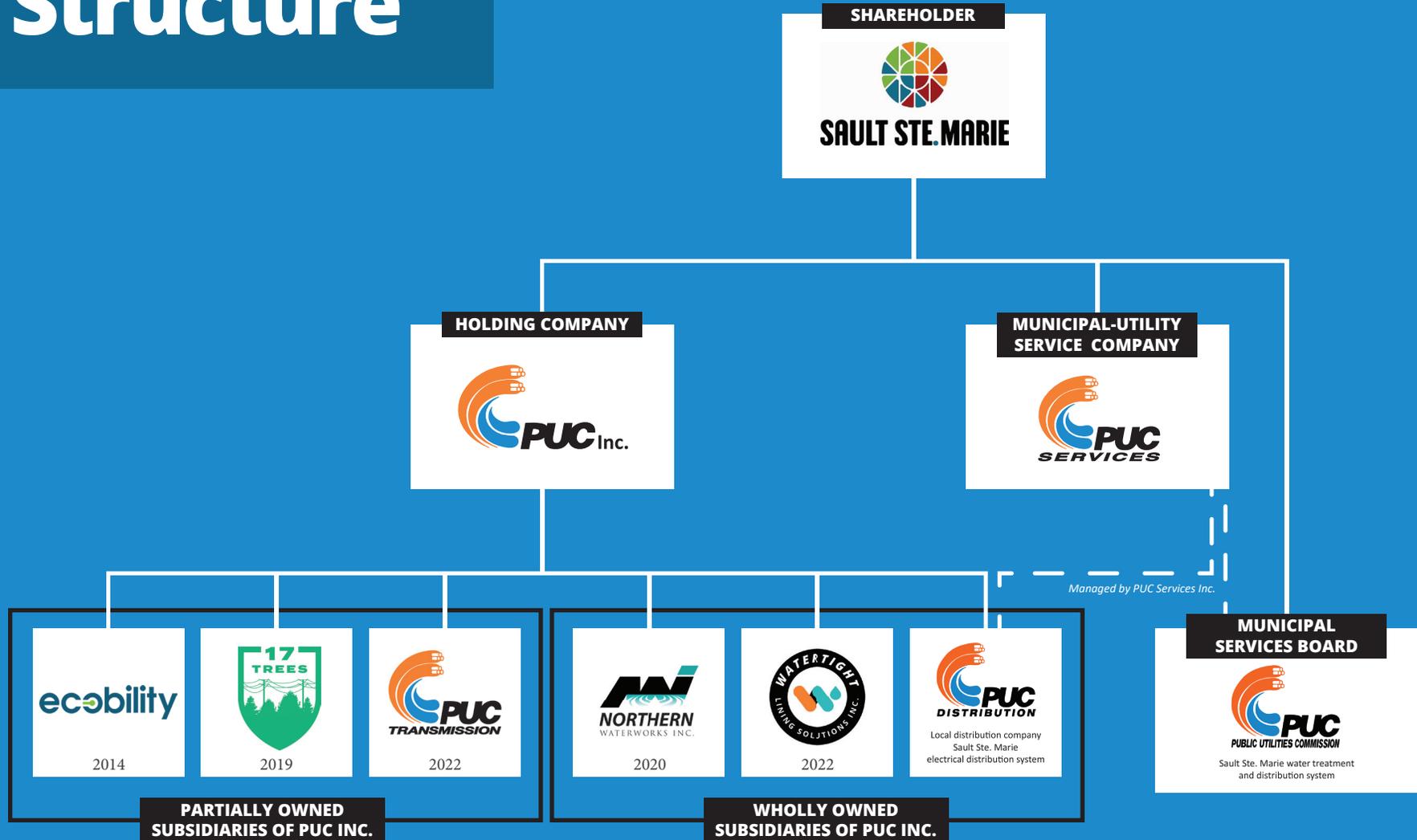


The supply of electricity



Emergency Response Services & Annual Inspections for First Nations

Corporate Structure



PUC Group of Companies

The PUC Group of Companies provides diverse services to communities throughout Ontario. Through innovation and a focus on sustainability, PUC is leading the way as a true community partner that is lowering costs, improving reliability for customers and creating pathways for the future.

PUC SERVICES INC.

PUC Services Inc. is a utility services company operating as a wholly owned private company of the Corporation of the City of Sault Ste. Marie.

PUC INC.

PUC Inc. is a holding company registered under the Ontario Business Corporations Act and is wholly owned by the Corporation of the City of Sault Ste. Marie.

Water & Wastewater Services

PUBLIC UTILITIES COMMISSION

The Public Utilities Commission of the City of Sault Ste. Marie owns the water supply and distribution infrastructure responsible for the provision of safe, reliable, potable water to customers within the municipal services boundary of the City of Sault Ste. Marie and Rankin Reserve of the Batchewana First Nation.

NORTHERN WATERWORKS INC.

Northern Water Works Inc. (NWI) provides water and wastewater treatment operations, maintenance and management services to 35 municipal and First Nation clients throughout the Province of Ontario. In addition, NWI provides emergency response services and annual inspections for all 133 First Nation communities across Ontario, either directly or through the Government of Canada's Department of Indigenous Services Canada (ISC) and the Ontario Ministry of the Environment, Conservation and Parks' (MECP) Spills Action Centre (SAC).

WATERTIGHT LINING SOLUTIONS INC.

Watertight Linings Solutions Inc. (WLS)'s focus is helping municipalities fix an expensive and common problem: deteriorating water pipe. WLS uses a Spray-in-Place-Pipe (SIPP) process which applies a polymer lining (Resiline 320). This process can save taxpayers millions of dollars, limit construction delays to as little as one day, and reduce the carbon footprint by up to 75% compared to typical replacement pipe.

Electricity

PUC DISTRIBUTION INC.

PUC Distribution Inc. is a local distribution company (LDC) that distributes electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie, the Batchewana First Nation (Rankin Reserve), Prince Township and parts of Dennis Township.

PUC TRANSMISSION LP (TRANSCO)

PUC Transmission LP (TransCo) is a transmission company incorporated in 2021 to provide cost-effective, locally owned and operated transmission services to Sault Ste. Marie area industries. TransCo's new 230 kV transmission line will convey electricity from Hydro One's Third Line Station in the city's north end to a new PUC transformer station in the west end.

Other

17 TREES

17 Trees is a forestry management company serving the Algoma, Sudbury and North Bay regions. A partnership between PUC Inc., Greater Sudbury Utilities Inc., and North Bay Hydro Services Inc., 17 Trees offers safe, high-quality utility forestry work at competitive rates for customers.

www.ssmruc.com

Building Blocks of Sustainability:

Our Stories

Putting Community-Wide Smart Grid Technology On The Map

Sault Smart Grid

Community Partner for the Future

The Sault Smart Grid will transform how PUC delivers electricity to customers. It is part of a larger strategy that ties into the goals of the City of Sault Ste. Marie and our collective futures.

Rooted between Lakes Huron and Superior, Sault Ste. Marie is uniquely positioned to be a leader in the energy transition. The energy landscape is both diverse and impressive, with a renewable energy mix matched by few cities in both Canada and the U.S.

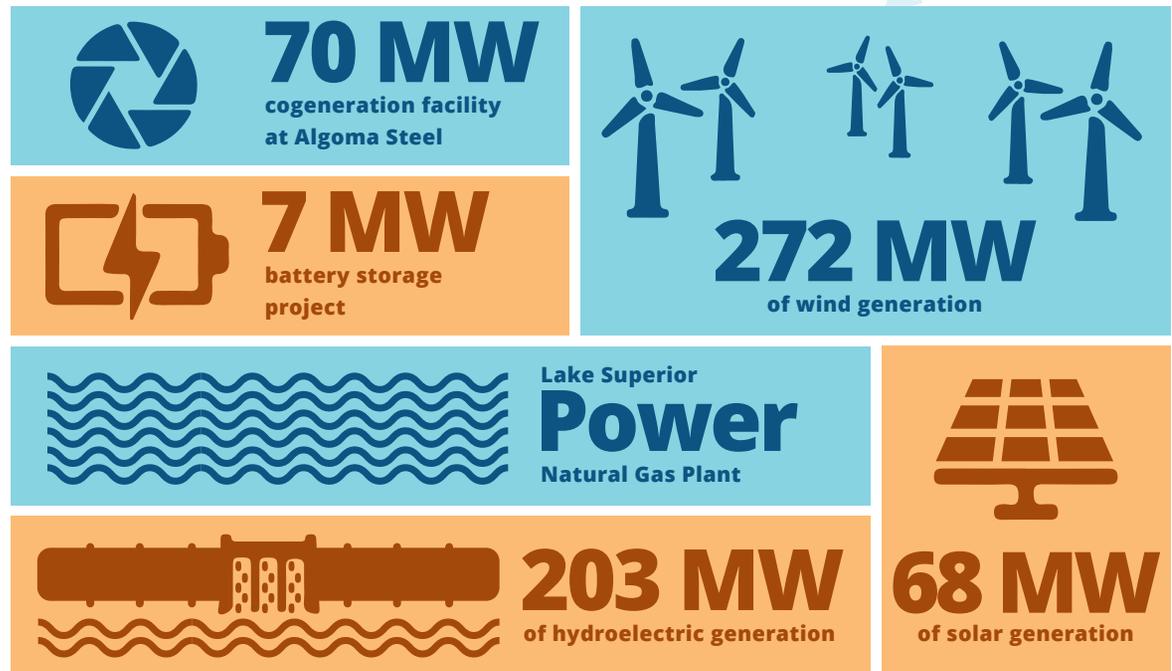


As a community-minded utility services company for over 100 years, PUC challenged itself to not only become a key player in this transition locally, but to do it in a way that is bold, innovative, and uses partnerships to best enable a grid for the future.

Sault Ste. Marie City Council declared itself the “Alternative Energy Capital of North America”.



Sault Ste. Marie



Putting Community-Wide Smart Grid Technology on the Map: Sault Smart Grid

As a national leader in advancing smart city solutions, PUC is investing in the communities we serve – and beyond – by taking bold steps to modernize how we distribute electricity.

Once operational in 2023, the benefits of the Sault Smart Grid will be significant:

- **2.7 % in Energy Savings**
- **Reduction in CO2 by 2,804 Tonnes a Year**
- **Shorter & Fewer Outages**
- **Advanced Data & Reporting**
- **Enables a Grid for the Future**



In 2022, The Sault Smart Grid project made significant progress while staying on budget despite external challenges such as global supply shortages.

The scope of work for a project of this magnitude is massive and includes:

- Major equipment installation and improvements to 10 of 12 of PUC's distribution stations.
- Implementing a host of new technologies, including (Geographic Information Systems (GIS), Outage Management System, etc.), and leveraging existing technologies.
- Installation of new Distribution Automation equipment.
- Upgrades to Advanced Distribution Management System (ADMS) and SCADA included requirements for expanded and upgraded IT infrastructure to support new virtual servers and security requirements.
- New Outage Management/Communications System for customers.

A photograph of a streetlight with a glowing yellow light, set against a vibrant sunset sky with orange and red hues. The streetlight pole is dark and curves from the bottom left towards the top right.

A Bright Story

Upgrading City of Sault Ste. Marie's Streetlighting System

Through an ongoing contract, PUC operates and maintains the City of Sault Ste. Marie's streetlighting system.

Between 2015 and 2017, approximately 9000 streetlights within Sault Ste. Marie and surrounding area were converted from High Pressure Sodium Vapor (HPS) to Light Emitting Diode (LED) technology. The initial investment was worth \$8.3 million, that included government grants that supported the conversion.

A typical HPS streetlight lasts around 24,000 hours, whereas an LED light can last upwards of 200,000 hours. Not only do the bulbs last longer, but they are also brighter and safer for community members, and consume less energy.

To date in 2022, the City has seen annual savings of approx. \$900,000 - that's a total savings of over \$4.7 million. Future opportunities exist within this initiative that will bring even more benefits to Sault Ste. Marie; it is another example of PUC working as a partner in the communities we serve on our collective path to sustainability.

Since making the switch, the community has reduced Co₂ emissions by approximately 20,000 metric tons.

Partner in Industry & Sustainability

PUC Transmission LP (TransCo)

PUC Transmission was incorporated in 2021 to provide cost-effective, locally owned and operated transmission service to Sault Ste. Marie area industries. Establishing a transmission company within the PUC Group of Companies provides a unique opportunity to support sustainable growth within Sault Ste. Marie and area.

As high-load industry partners, like Algoma Steel Inc. (ASI), look to make shifts in how they operate, and new businesses look to relocate, PUC Transmission LP (TransCo) will play a key role in how the community can accommodate new opportunities for growth and diversification, while lowering their GHG emissions at the same time.

The new PUC 230 kV transmission line will support ASI's plan to retire existing blast furnaces using mostly carbon-based fuel and replace them with Electric Arc Furnaces. The impact of this transition is monumental, significantly reducing greenhouse gases produced within the community. The reduction in CO₂ emissions is equivalent to approximately 1 million cars taken off of the road. With an anticipated completion of 2029, the \$750M project will transform Algoma Steel into a leading supplier of green steel at a cost-effective rate.



In 2022, TransCo started off the year by undertaking a Class Environmental Assessment Study. During the study, PUC hosted four public open houses to gain feedback from the community to help decide where the main route for the 230 kV lines and a 230/115/34.5kV substation would be built. The public consultations played a key role in mapping out the route that was ultimately submitted for governmental approval in October.

The reduction in CO₂ emissions is equivalent to approximately 1 million cars taken off of the road.



Making the Switch

PUC's Role in the Shift to Electric Vehicles

PUC is supporting the transition to electric vehicles; it is one pillar of a larger strategy to lower our carbon footprint and support community members to do the same. There are two main elements to PUC's EV strategy:

1. The electrification of PUC's fleet
2. The installation of EV chargers for PUC customers

Electrification of PUC's Fleet

In 2022, PUC installed 22 EV chargers at our various locations to support our transition to an electric fleet.

PUC is taking a phased-in approach for the transition from internal combustion engine (ICE) vehicles to EVs, meaning that the EVs will substitute the ICE vehicles when they need replacement.

PUC Services EV Home Charger Rental Program

PUC Services Inc.'s EV home charger rental program is designed to assist customers in the adoption of EVs. This unique program to the region allows customers to rent an EV charger for a set monthly fee, that includes an installation credit and lifetime warranty.

The program also has significant benefits to PUC by providing more intelligence into consumption on the city-wide grid. This will help in preparation for future energy planning in the area.



PUC EV HOME CHARGER RENTAL PROGRAM



TESTIMONIALS



Donations

Supporting Community Members on the Ground

In 2022, PUC's Donation Committee, consisting of PUC employees from various departments, worked together to identify organizations that aligned with PUC's new strategy and goals. As word spread, more organizations approached PUC, asking for support. The company focused on smaller donation amounts so more money could be shared. In 2022, the number of charities more than tripled with 60 different charities supported.



The Donation Committee also spearheaded six company fundraising BBQs that resulted in employees donating to 6 local charities.



PUC staff came together to once again decorate the alleyway beside Outspoken Brewing on Queen Street in Sault Ste. Marie. The Giving Trees provided toiletries, hats, mitts and gloves to those in need, helping to make a difference for many during the holiday season.





Investing in the Health and Safety of our Employees and Community

After three plus years of in-person safety training being put on hold due to the pandemic, safety classes were back in session. Numerous in person safety courses, including those focused on mental health, were offered again for our employees.

In 2022, PUC launched a new online incident reporting/reviewing program for employees. This program streamlines our reporting process and allows staff the ability to report and review incidents in a timely manner.

Additionally, our managers, supervisors and executives completed the most amount of crew observations in our company's history.



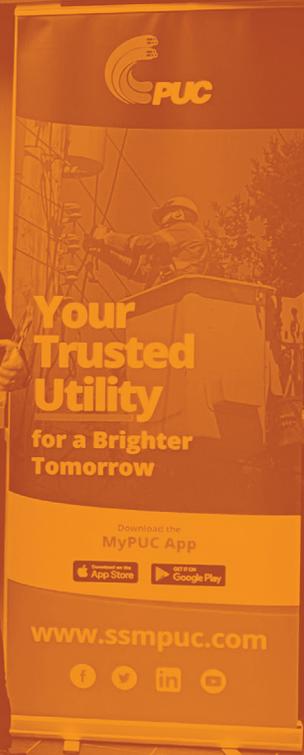
TOMORROW



Partner

Awards and Recognition

2022



PUC Awards and Recognition

In 2022, PUC was recognized with multiple awards and was proud to shine a light on employees who went above and beyond to represent PUC's Core Values.

Congratulations to PUC's 2022 Bright Lights Winners:



Customer Centric: Christian Ouellet, Curtis Deschamps, Bryce Vanderburg & Jeff Cole

Innovation: Natalie Fecteau

Integrity: Matt Jakibchuk

Safety: Greg Zimmer

Accountable: Tayler Sonke



Sault Ste. Marie Chamber of Commerce Community Investment Award



Algoma Public Health Community Health Champion Award



Outlook

Strategic Plan

Not only is it important to reflect on what we have accomplished; it is important to focus on our roadmap for the future.



More than ever, our focus is on a sustainable PUC that is developing strategies to lower our carbon footprint, support our communities, and maintain exceptional customer service well into the future. PUC's Strategic Plan 2023-25 provides direction and focus, connecting PUC's mission and vision for the future to our roadmap on how to get there.

PUC's long-term goals are clear and compelling targets, representing a big picture plan that could take ten plus years to complete. Strategic initiatives allow PUC to translate a handful of actions that we can take to execute long-term goals over the medium term.

LONG-TERM GOALS

1. Dominant electric utility in Northern Ontario
2. Largest provider of water and wastewater services in Ontario
3. Top 100 best Companies to work for in Canada
4. Model for Diversity, Equity & Inclusion



2023-25 STRATEGIC INITIATIVES

1. Digital Transformation
2. Operational Planning & Execution
3. Diversity, Equity & Inclusion (DEI)
4. Strategic Growth

Annual reporting on PUC's Strategic Plan will be an important part of our sustainability reports moving forward.

Executive Team



Robert Brewer,
Hon. BSC, MBA
PRESIDENT & CEO



Robert Battisti,
CPA, CMA, MBA
VICE PRESIDENT, CORPORATE SERVICES



Claudio Stefano,
P.Eng, MBA
**EXECUTIVE LEAD,
OPERATIONS & ENGINEERING**



Guillaume Vachon,
P.Eng., PMP
**VICE PRESIDENT,
OPERATIONS & ENGINEERING**



Kelly McLellan,
CPA, CMA, M.Acc
CHIEF FINANCIAL OFFICER



Kevin Bell,
P.Eng.
VICE PRESIDENT, SPECIAL PROJECTS

**BOARD OF DIRECTORS
PUCSERVICES INC./PUC INC.**

Andy McPhee
CHAIR
RETIRED VICE-PRESIDENT,
GREAT LAKES POWER TRANSMISSION

Ila Watson
VICE CHAIR
PRESIDENT & CEO, SAULT AREA HOSPITAL

Elaine Pitcher
LAWYER, PITCHER LAW

Jim Boniferro
PRESIDENT & CEO, BONIFERRO MILL WORKS ULC

Neil Strom
MILL CONTROLLER, ALGOMA STEEL INC.

Bob Giroux
PRESIDENT & CEO, SOANBERT CORP.

Scott Seabrook
SENIOR DIRECTOR, FINANCE, OLG

PUC DISTRIBUTION INC.

Jim Rennie
CHAIR
VICE PRESIDENT, HUMAN RESOURCES,
IRVING SHIP BUILDING

Pat McAuley
VICE-CHAIR
RETIRED, COMMISSIONER OF PUBLIC WORKS AND
TRANSPORTATION, CITY OF SAULT STE. MARIE

Mark Howson
RETIRED, SENIOR MAINTENANCE ENGINEER,
ESSAR STEEL ALGOMA INC.

Jim P. Boniferro
PRESIDENT & CEO, BONIFERRO MILL WORKS ULC

PUBLIC UTILITIES COMMISSION

Mark Howson
CHAIR
RETIRED SENIOR MAINTENANCE ENGINEER,
ALGOMA STEEL INC.

Corey Gardi
CITY COUNCILLOR, CITY OF SAULT STE. MARIE

David Zuccato
RETIRED, SENIOR PROVINCIAL CIVIL SERVANT

Dr. Musa Onyuna
METALLURGICAL SPECIALIST, ALGOMA STEEL INC.

Sandra Hollingsworth
CITY COUNCILLOR, CITY OF SAULT STE. MARIE

Securing the Future

Financial Statements



PUC INC.

Balance Sheet

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Accounts receivable	\$ 712,081	\$ 711,951
Payment in lieu of taxes recoverable	5,382	10,098
Receivable from PUC Services Inc.	2,666,328	2,834,151
	<u>3,383,791</u>	<u>3,556,200</u>
Deferred tax assets	25,000	9,000
Investments in subsidiaries	50,801,579	50,801,579
Note receivable	8,310,000	8,310,000
	<u>59,136,579</u>	<u>59,120,579</u>
	<u>\$ 62,520,370</u>	<u>\$ 62,676,779</u>

Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 886	\$ 811,266
Long-term debt	31,720,000	31,720,000
Shareholder's equity:		
Share capital	29,238,248	29,238,248
Retained earnings	1,561,236	907,265
	<u>30,799,484</u>	<u>30,145,513</u>
	<u>\$ 62,520,370</u>	<u>\$ 62,676,779</u>

PUC INC.

Statement of Earnings and Retained Earnings

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Interest income	\$ 2,293,534	\$ 2,257,019
Dividend income	710,080	710,080
	<u>3,003,614</u>	<u>2,967,099</u>
Expenses:		
Interest on long-term debt	1,934,920	1,934,920
Business development	347,709	270,854
Administrative	83,014	80,886
	<u>2,365,643</u>	<u>2,286,660</u>
Earnings before income taxes	637,971	680,439
Payment in lieu of taxes (recovery)	(16,000)	(14,338)
Net earnings	<u>653,971</u>	<u>694,777</u>

Management has extracted this financial information from the audited financial statements.

PUC SERVICES INC.

Statement of Financial Position

As at December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 761,864	\$ 4,936,680
Accounts receivable	5,718,771	3,153,508
Due from related parties	17,208,312	13,753,188
Inventories	602,206	461,524
Prepaid expenses	1,316,288	840,624
Payment in lieu of taxes recoverable	174,109	418,118
Total current assets	25,781,550	23,563,642
Non-current assets:		
Property, plant and equipment	17,706,833	17,141,883
Intangible assets	1,025,880	1,096,834
Total non-current assets	18,732,713	18,238,717
Total assets	\$ 44,514,263	\$ 41,802,359
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,702,400	\$ 4,649,365
Deferred tax liabilities	458,000	22,000
Dividends payable	-	225,000
Due to related parties	11,920,309	10,806,857
Current portion of long-term debt	85,656	85,656
Lease liabilities - current	26,917	31,936
Total current liabilities	18,193,282	15,820,814
Non-current liabilities:		
Long-term debt	8,886,562	8,972,218
Lease liabilities	47,978	68,968
Deferred revenue	10,568,482	10,578,508
Employee future benefit obligations	1,453,180	1,786,769
Total non-current liabilities	20,956,202	21,406,463
Total liabilities	39,149,484	37,227,277
Shareholder's equity:		
Share capital	1,943,300	1,943,300
Accumulated other comprehensive income	954,232	654,773
Retained earnings	2,467,247	1,977,009
Total shareholder's equity	5,364,779	4,575,082
Commitments and contingences		
Total liabilities and shareholder's equity	\$ 44,514,263	\$ 41,802,359

PUC SERVICES INC.

Statement of Income and Comprehensive Income

As at December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Management fees	\$ 12,258,541	\$ 10,709,906
Contracts	5,840,561	5,840,561
Services	2,319,380	4,199,340
Other operating revenue	1,690,795	1,553,440
	22,109,277	22,303,247
Expenses:		
Contract service	7,443,755	8,371,701
Administrative	5,571,560	5,331,641
Facilities	2,252,548	2,065,206
Depreciation and amortization	2,740,600	2,448,494
Billing and collection	1,096,453	1,211,302
Customer service	1,124,218	1,044,460
Street lights	419,079	403,001
New business development	347,709	270,902
Other business and maintenance	80,652	68,915
	21,076,574	21,215,622
Income from operating activities	1,032,703	1,087,625
Net finance costs	477,587	489,130
Income before provision for payment in lieu of taxes	555,116	598,495
Payment in lieu of taxes:		
Current (recovery) expense	(263,154)	(111,951)
Deferred expense	328,032	122,607
	64,878	10,656
Income for the year	490,238	587,839
Other comprehensive income (loss): items that will not be classified to profit or loss, net of income tax:		
Remeasurement of employee future benefits	407,427	669,408
Income tax recovery (expense) on other comprehensive income	(107,968)	(177,393)
Other comprehensive income (loss) for the year	299,459	492,015
Net income and comprehensive income for the year	\$ 789,697	\$ 1,079,854

Management has extracted this financial information from the audited financial statements.

**PUBLIC UTILITIES COMMISSION OF THE
CITY OF SAULT STE. MARIE**

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 99,239	\$ 115,178
Accounts receivable	4,818,891	4,167,971
Unbilled service revenue	1,235,298	1,194,468
Receivable from related company, PUC Services Inc.	9,253,981	7,972,706
	15,407,409	13,450,323
Financial liabilities:		
Accounts payable and accrued liabilities	5,610,072	5,427,054
Loan payable	2,736,414	3,569,084
	8,346,486	8,996,138
Total net financial assets	7,060,923	4,454,185
Non-financial assets:		
Tangible capital assets	108,067,126	102,761,366
Inventory	435,142	379,218
	108,502,268	103,140,584
Accumulated surplus	\$ 115,563,191	\$ 107,594,769

**PUBLIC UTILITIES COMMISSION OF THE
CITY OF SAULT STE. MARIE**

Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 2)	2022 Total	2021 Total
Revenues:			
Service revenue:			
Residential	\$ 13,357,056	\$ 13,568,365	\$ 13,044,603
General	9,035,150	9,148,237	8,074,650
Hydrants	1,636,908	1,695,771	1,565,902
	24,029,114	24,412,373	22,685,155
Other:			
Investment income	75,000	241,471	114,547
Non-service revenue	280,830	950,823	676,961
Developers contributions	-	895,303	1,091,918
	355,830	2,087,597	1,883,426
Total revenues	24,384,944	26,499,970	24,568,581
Expenditures:			
Purification and pumping	4,487,431	4,340,721	3,749,726
Transmission and distribution	4,593,469	4,599,013	4,157,152
Amortization of tangible capital assets	2,945,134	2,917,347	2,788,336
Hydrants	739,222	465,240	409,965
Billing and collection	1,284,684	1,497,191	1,348,595
Interest on long-term debt	99,196	99,250	124,715
General and administration	4,460,221	4,612,786	4,161,345
Total expenditures	18,609,357	18,531,548	16,739,834
Operating surplus	5,775,587	7,968,422	7,828,747
Accumulated operating surplus, beginning of year	107,594,769	107,594,769	99,766,022
Accumulated operating surplus, end of year	\$ 113,370,356	\$ 115,563,191	\$ 107,594,769

Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 1,106,618	\$ 815,229
Accounts receivable	5,077,837	6,121,404
Unbilled revenue	11,131,321	10,976,609
Payment in lieu of taxes recoverable	-	9,709
Inventory	2,698,152	2,161,802
Prepaid expenses	541,778	200,875
Total current assets	20,555,706	20,285,628
Non-current assets:		
Property, plant and equipment	108,671,386	112,462,126
Total assets	129,227,092	132,747,754
Regulatory balances	23,661,714	9,437,146
Total assets and regulatory balances	\$ 152,888,806	\$ 142,184,900

PUC DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2022, with comparative information for 2021

	2022	2021
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,102,074	\$ 12,141,711
Customer deposits	331,420	313,596
Payment in lieu of taxes	35,803	-
Dividends payable	610,080	610,080
Due to related parties	12,094,677	12,638,877
Current portion of long-term debt	2,030,770	1,923,586
Total current liabilities	28,204,824	27,627,850
Non-current liabilities:		
Deferred revenue	6,009,457	7,034,528
Deferred tax liability	2,877,000	1,989,000
Long-term debt	73,125,410	66,156,179
Total non-current liabilities	82,011,867	75,179,707
Total liabilities	110,216,691	102,807,557
Shareholder's equity:		
Share capital	20,062,107	20,062,107
Retained earnings	21,599,855	18,618,415
Total shareholder's equity	41,661,962	38,680,522
Total liabilities and shareholder's equity	151,878,653	141,488,079
Regulatory balances	1,010,153	696,821
Commitments and contingences		
Total liabilities, regulatory balances and shareholder's equity	\$ 152,888,806	\$ 142,184,900

Management has extracted this financial information from the audited financial statements.

PUC DISTRIBUTION INC.

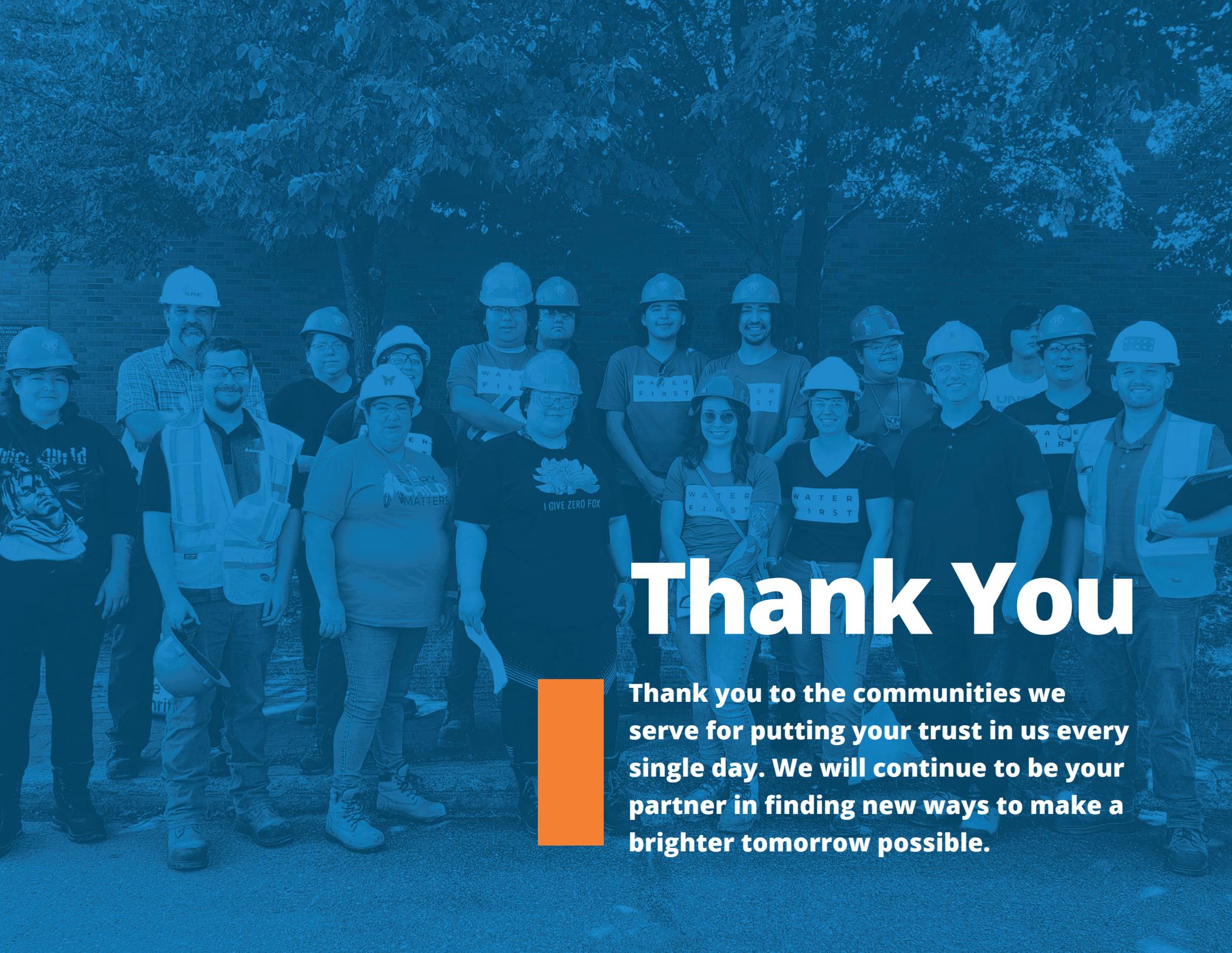
Statement of Income and Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Electricity sales	\$ 71,757,107	\$ 71,763,066
Distribution revenue	20,228,964	19,207,805
	91,986,071	90,970,871
Other operating revenue	2,970,919	7,281,109
	94,956,990	98,251,980
Expenses:		
Energy purchases	73,523,690	71,603,747
Operations and maintenance	5,951,255	6,406,837
General and administrative	3,807,234	4,025,734
Billing and collection	1,509,091	1,370,374
Depreciation and amortization	4,271,685	3,842,226
Community relations	671,027	5,206,928
	89,733,982	92,455,846
Income from operating activities	5,223,008	5,796,134
Net finance costs	3,109,189	3,023,221
Income before tax and regulatory items	2,113,819	2,772,913
Income tax expense:		
Current	99,662	71,089
Deferred	888,000	602,000
	987,662	673,089
Income for the year before movements in regulatory deferral account balances	1,126,157	2,099,824
Net movement in regulatory deferral account balances related to income or loss	(1,577,363)	284,569
Income tax	(888,000)	(602,000)
	(2,465,363)	(317,431)
Net income, being total comprehensive income for the year	\$ 3,591,520	\$ 2,417,255



Management has extracted this financial information from the audited financial statements.



Thank You

Thank you to the communities we serve for putting your trust in us every single day. We will continue to be your partner in finding new ways to make a brighter tomorrow possible.

