A large silhouette of a three-bladed wind turbine is the central focus of the image. The turbine is set against a sky that transitions from a deep blue at the top to a bright orange and yellow at the bottom, indicating a sunset or sunrise. The bottom of the image shows the dark silhouettes of a forest of evergreen trees.

**ANNUAL
REPORT
2022-23**

OUR PURPOSE

To sustainably power a prosperous future for the communities we serve.

OUR MISSION

As a customer-centric company, we leverage technology and innovation to deliver reliable, sustainable and cost-conscious energy solutions.

OUR VISION

To be a national utility leader in the energy transition to net zero.

100
YEARS
AND COUNTING

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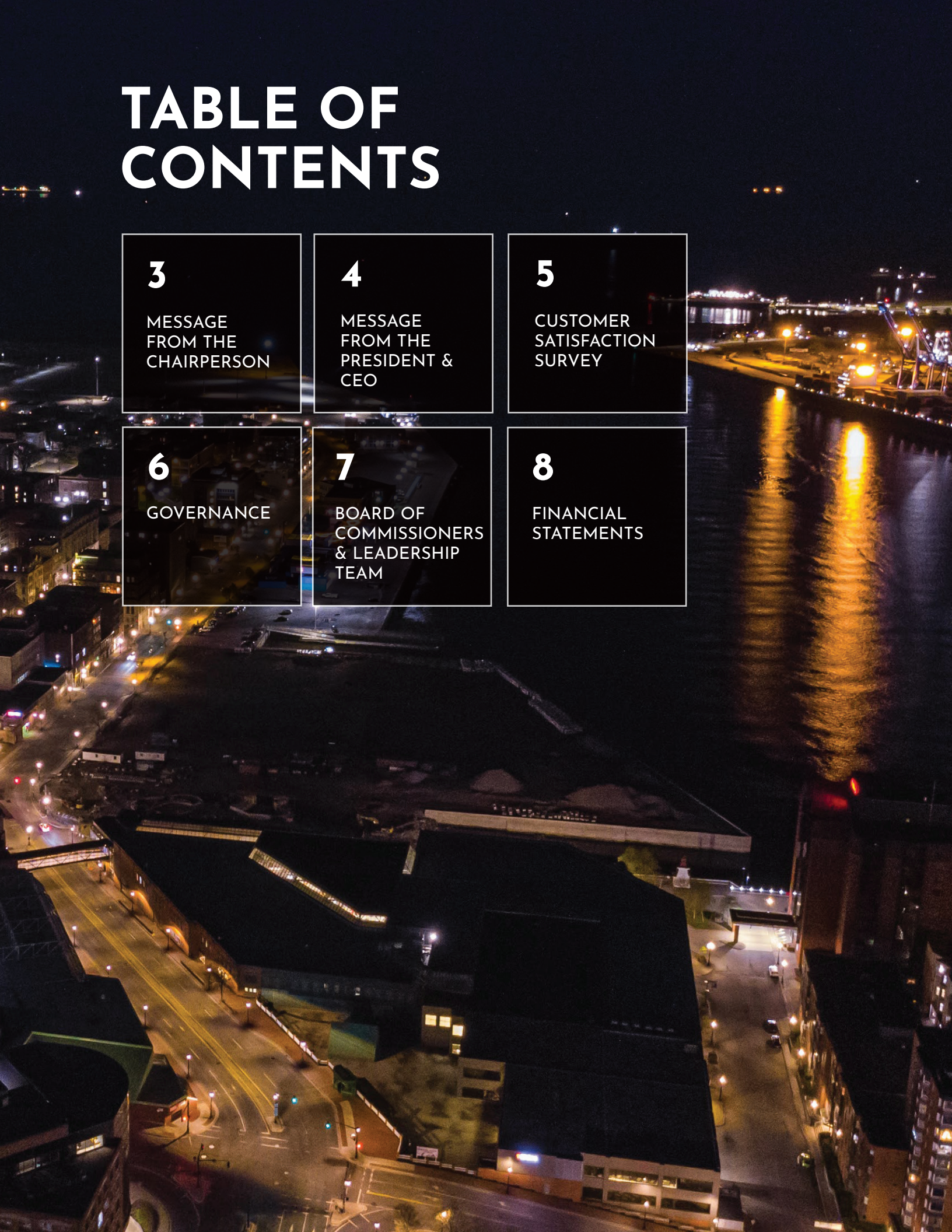
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A FOCUS ON DILIGENCE AND LEADERSHIP



James D. Shaw is Chairperson of Saint John Energy

I am both honoured and humbled to serve as Chairperson of the Board of Commissioners for Saint John Energy.

Recognized across the country and around the world for its progressive work in advancing energy technology, services and products, Saint John Energy's reputation for forward-thinking innovation is a remarkable feat for a locally owned company of about 110 people.

As someone who has worked in the financial services sector for more than 40 years, I am impressed by the sound fiscal management that has underpinned its success, allowing it to consistently offer lower rates.

This sound financial management is critical - not only for today but in preparing for the energy transition ahead, as we need to grow our infrastructure and offerings as customers increasingly rely on electricity as their clean energy source.

We owe this kind of diligence to our shareholder, the City of Saint John, and to the citizens we serve.

The focus on the customer is very important. That has been a hallmark of Saint John Energy since it was

created 100 years ago to bring dependable and affordable power to the city. At that time, we were integral in transitioning Saint John homes from coal to electricity.

A century later, we are bringing renewable energy to the city through the Burchill wind farm and mapping out a net-zero future by 2030 through our Zero30 initiative. We feel it is our duty to be leaders in this evolution - not just here in Saint John, but across the country.

The true strength of Saint John Energy is in its people - from the leaders across the spectrum of professionals who serve as board members, to the talents of President & CEO Ryan Mitchell and his leadership team, to each and every employee.

Their dedication is what powers the success of this company, both today and into the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Shaw'.

James D. Shaw
Chairperson
Saint John Energy

“ A century later, we are bringing renewable energy to the city through the Burchill wind farm and mapping out a net-zero future by 2030 through our Zero30 initiative. We feel it is our duty to be leaders in this evolution - not just here in Saint John, but across the country. ”

USHERING IN A SECOND CENTURY OF SERVICE

As Saint John Energy enters its second century of service, the journey ahead is full of promise and possibility.

The Burchill Wind Project, the first utility-scale wind farm in the city's history, is delivering clean and renewable energy to our customers' homes and businesses.

We've launched Zero30, a dynamic road map that will map out how we can reach net zero by 2030 - and how we can bring our customers along as well, should they choose.

Unlike any initiative we have undertaken since our founding in 1922, Zero30 will inevitably lead to more renewable energy and more innovation - innovation in energy efficiency, energy storage, carbon capture and more.

For the last two years, Saint John Energy has embraced a vision to be a national utility leader in the transition to net zero. This is why we have set our sights on 2030 - five years ahead of a deadline for Canadian electrical utilities to reach carbon neutrality.

We are proud of the reputation we have forged as a nimble innovator - a track record that has allowed us to forge international partnerships and to build an advanced smart grid for our city.

It is a track record that has prompted thousands of customers to join us in our Shave the Peak campaign to curb the financial and environmental costs of peak energy demand. Thanks to them and to our internal efforts, our annual peak savings are more than \$1.1 million.

That will only grow, particularly as we grow our smart-grid capabilities and harness the storage power of three new Tesla Megapacks connected to Burchill.

Even as we break new ground in innovation and the race to net zero, we remain committed to the fiscal discipline that allows us to offer electricity to our customers at rates among the lowest in Atlantic Canada.

We embark on this from a strong foundation. Our customer satisfaction scores continue to be among the best in the country, particularly in reliability and trustworthiness - the result of our customer-first culture and the incredible dedication and talent of our people.

Sincerely,



Ryan Mitchell, P.Eng.
President & CEO
Saint John Energy



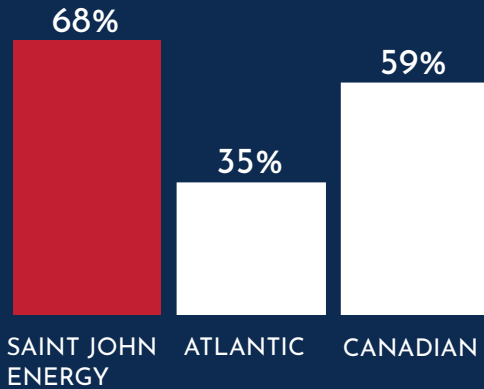
Ryan Mitchell is President & CEO of Saint John Energy

“As Saint John Energy enters its second century of service, the journey ahead is full of promise and possibility.”

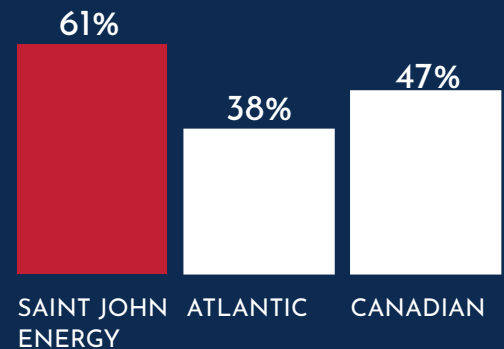
CUSTOMER SATISFACTION SURVEY 2022

Electricity Canada's Annual National Public Attitudes Survey in 2022 ranked Saint John Energy against regional and national averages.

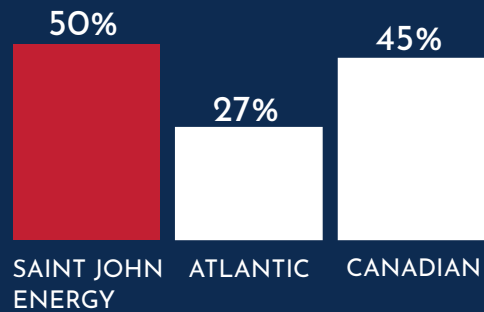
OVERALL SATISFACTION



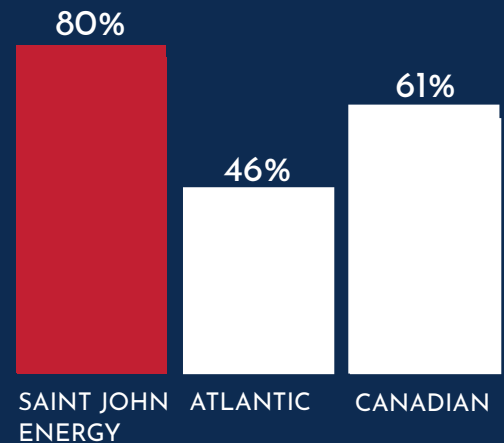
FIRST-TIME RESOLUTION



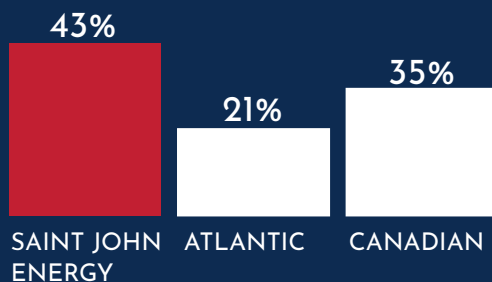
ENVIRONMENTAL STEWARDSHIP



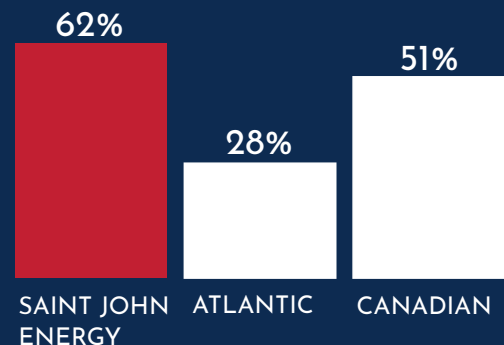
RELIABILITY



CORPORATE CITIZENSHIP



TRUSTWORTHINESS





GOVERNANCE

To serve the needs of our community and the City of Saint John, Saint John Energy has constituted a governance body consisting of a Board of Commissioners appointed by the Saint John Common Council. This is in the form of a Chairperson, Vice-Chairperson, five Commissioners, a non-voting Secretary and Saint John Energy's President & CEO.



BOARD OF COMMISSIONERS

Saint John Energy's Board of Commissioners as of Dec. 31, 2022:

Front row, from left: Vice-Chairperson David Alston, President & CEO Ryan Mitchell, Colleen d'Entremont, Chairperson James D. Shaw. Middle row: Gary Sullivan, Shelley Courser. Back row: Secretary Jonathan Taylor, Neil Jacobsen, Stephanie Bell.



LEADERSHIP TEAM

The Saint John Energy leadership team. From left to right: Ryan Mitchell, President & CEO; Glen Fillmore, Executive Director of Strategic Growth and Transformation; Shelley Wood, Executive Director of Finance, People and Community; Ryan Shonaman, Executive Director of Operations.

FINANCIAL STATEMENTS

2022



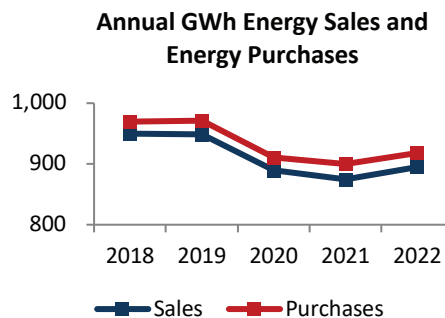
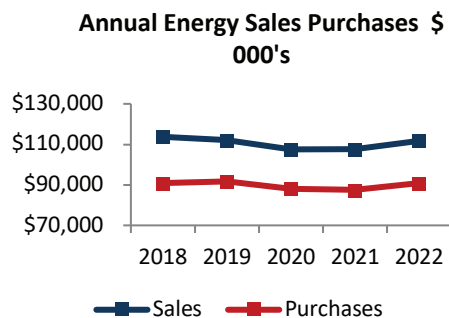
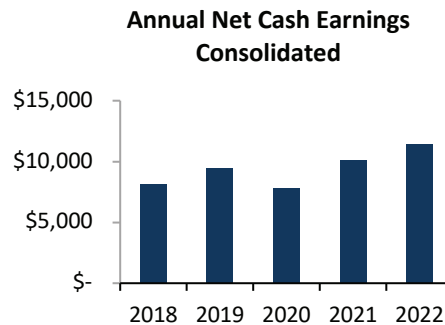
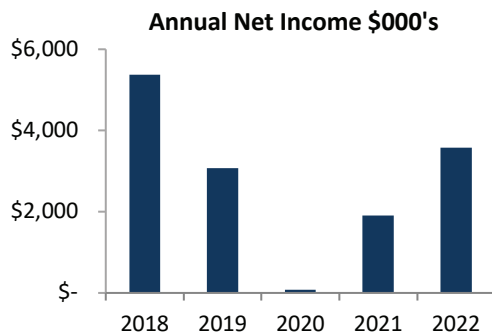
Management Discussion and Analysis

Management’s discussion and analysis reviews the financial and operational results for the fiscal year ended December 31, 2022, relative to the previous year. This section should be read in conjunction with the Audited Financial Statements and the accompanying notes.

Financial Highlights

Saint John Energy recorded a net income of \$3,576,000 for the year ended December 31, 2022, as compared to \$1,914,000 in 2021. The following contributing and offsetting factors to revenues and expenses account for most of the change in earnings year-over-year:

- Electrical Sales and Purchases** - Gross margin (electrical operations) increased by \$677,000, primarily due to an increase in energy sales volume, a 2% rate increase effective in April of 2022 and favorable power purchase demand load factor efficiency as compared to the previous year.
- Operating Expenses** - Operating expenses increased by \$617,000, primarily due to increases in salary and benefit costs related to ancillary utility services provided, increased depreciation attributable to ongoing capital investments, and increased professional services costs related to ongoing corporate initiatives as compared to the previous year.
- Capital Expenditures** - Purchases or construction of property, plant and equipment and intangible assets increased as compared to 2021 by \$9,774,000, mainly due to increased spending on major projects, including the Burchill Wind Interconnection and Paradise Row Substation projects and the ongoing growth in our consumer product rental programs.
- Cash** - Cash decreased by \$18,526,000 during the year due to increased spending on capital projects, with capital investments after proceeds on disposal of \$27,069,000. This decrease in cash was partially offset with cash provided by operations before changes of non-cash working capital of \$11,838,000.



Risk Analysis

Saint John Energy is an electric distribution utility in the City of Saint John, New Brunswick, Canada. The utility operates on a cost of service, user pay basis. Saint John Energy's electrical distribution service area is limited to the municipal boundaries of the City of Saint John by legislation. Given these factors, the utility's financial performance could potentially be affected by the following issues:

Business Risks

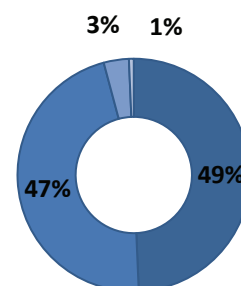
- **Energy Conservation & Technological Advancements** - While Saint John Energy is actively seeking new programs and services to encourage its customers to reduce demand and energy consumption, the market, demographics, or technology advancements could drive customers to reduce consumption faster than the utility can transition.
- **Alternative Heating Solutions** (natural gas and propane) - The Saint John area currently has a significant percentage of electric space and water heating customers. Without offsetting economic or population increases, market share could be affected by the adoption of alternative solutions for these requirements.
- **Electrical Sales/Purchase Volume** - Saint John Energy, due to its significant percentage of electric space heating customers and the mix of demand and energy which forms the basis of its wholesale power purchase rates, can be subject to short-term swings in weather especially during seasonal transition periods. This can lead to fluctuations in cost which, given certain circumstances, may not be fully recovered in revenue from its customers.
- **Electrical Purchase Costs** – By legislation, only NB Power Corporation may sell electricity to a consumer or municipal distribution utility within the Province of New Brunswick except where the electricity supplied was generated within the territorial limits of the municipality and in compliance with the utilities distributed generation or net metering policies. As such, alternative supplies of electricity are limited within the territorial limits of Saint John. Most of the utility's power purchase costs (its largest expense) are subject to the business decisions of NB Power Corporation and/or other Provincial authorities and policy setters.
- **Adverse Weather** - Extreme weather conditions such as ice storms and high winds can affect the utility's ability to maintain system reliability, safety, and the security of its supply. In addition to customer inconvenience, these unplanned events can significantly add to the operational cost of the utility.
- **Cyber Risks** – Saint John Energy, as with all modern-day organizations, is exposed to risk associated with its online activity, electronic systems, technological networks, as well as the storage of personal data.
- **Pandemic Risks** – Pandemics are large-scale outbreaks of infectious disease that can greatly affect a wide geographic area and cause significant economic, social, and political disruption. Pandemics can cause economic damage through multiple channels, including short-term fiscal shocks and longer-term negative shocks to economic growth. Societal efforts to control a pandemic could include the implementation of travel bans, border closings, businesses being forced to cease operations and imposed quarantine periods and social distancing. Operating in a pandemic environment could lead to reduced revenues as businesses are forced to close, cash flow erosion as our customers experience economic hardships and require bill payment deferral options, increased competition to raise capital, a reduced capacity to acquire or effectively deploy human resources, and various operational restrictions leading to a need to find new ways to carry on business.
- **Financial Risks** - Saint John Energy understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. Saint John Energy's operations are exposed to a wide variety of macroeconomic forces including but not limited to inflationary pressures, interest rate uncertainty and global supply chain disruption. Our exposure to a variety of financial risks such as credit risk and liquidity risk, as well as related mitigation strategies, are more fully discussed in the enclosed Notes to the Audited Financial Statements (Note 17).

Year-over-year Results – Revenues

The following is a summary of Saint John Energy’s revenues for the year with a comparison to the previous year’s results:

Revenues (in thousands)	2022	2021
Electrical Sales:		
Residential	\$55,016	\$52,456
General Service	51,889	50,127
Industrial	3,899	3,921
Lighting and Unmetered	747	762
Total Electrical Sales (exclusive of accrued revenues)	\$111,551	\$107,266
Percent Increase (decrease) Year-over-year	4.0%	(0.6%)
GWh	895	875
Percent Increase (decrease) Year-over-year	2.3%	(1.7%)
Accrued Revenues	\$152	\$374
Total Power Sales (inclusive of accrued revenues)	\$111,703	\$107,640
Percent Increase (decrease) Year-over-year	3.8%	0.1%
Other Revenues:		
Consumer Product Rentals	\$8,353	\$7,591
Lighting Rentals	1,388	1,350
Other	2,729	1,891
Total Other Revenues	\$12,470	\$10,832
Total Revenues	\$124,173	\$118,472

Electrical Sales by Type



- Residential
- General Service
- Industrial
- Lighting and Unmetered

Major contributors to the year-over-year variance in electrical sales revenues are as follows:

Electrical Sales Revenues (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$4,062	An increase in energy sales volume and average rate increases of 1.8% in April of 2021 and 2% in April of 2022 led to the increase versus the prior year.

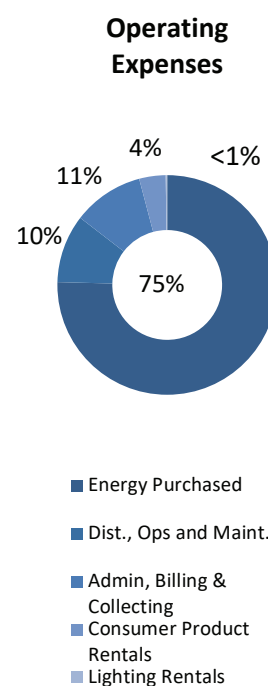
Major contributors to the year-over-year variance in other revenues are as follows:

Other Revenues (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$1,638	Continued growth of the mini-split heat pump and water heater rental programs, combined with rate increases of 3.8% on water heater rentals in July of 2021 and 4.5% on water heater rentals and 4% on mini-split heat pump rentals in September 2022, along with increased ancillary utility services provided led to the increase versus the prior year.

Year-over-year Results – Expenses

The following is a summary of Saint John Energy’s expenses for the year with a comparison to the previous year’s results:

Expenses (in thousands)	2022	2021
Energy Purchased:		
NB Power	\$90,873	\$87,460
Embedded Generation	69	97
Total Energy Purchased	\$90,942	\$87,557
Percent Increase (decrease) Year-over-year	3.9%	(0.5%)
GWh	918	900
Percent Increase (decrease) Year-over-year	2.0%	(1.1%)
Operating Expenses:		
Distribution, Operations, and Maintenance	\$12,118	\$11,777
Administration, Billing and Collection	12,577	12,502
Consumer Product Rentals	4,696	4,492
Lighting Rental	199	201
Total Operating Expenses	\$29,589	\$28,972
Net Financing Costs	\$64	\$29
Total Expenses	\$120,596	\$116,558
Operating Expenses by Expense Class:		
Salaries, Wages and Benefits	\$14,972	\$14,786
Depreciation and Gain/Loss on Disposal	6,076	5,437
Taxes	1,685	1,678
Contractors	2,900	2,850
Equipment and Materials	835	1,047
Other	3,120	3,173
Total Operating Expenses	\$29,589	\$28,972



Major contributors to the year-over-year variance in power purchases are as follows:

Energy Purchases (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$3,413	Power purchases increased due to an increase in energy purchase volume and rate increases of 1.8% in April of 2021 and 2% in April of 2022. These increases were partially offset by favorable demand efficiency load factor variances.
Decreased	(\$28)	Embedded Generation - Decrease in supply produced at generators.

Major contributors to the year-over-year variance in operating expenses are as follows:

Operating Expenses (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$340	Distribution, operations, and maintenance - Increased depreciation attributable to ongoing capital investments, increased salary and benefit costs due to overtime associated with utility mutual assistance and increased vehicle fuel and repair costs versus the prior year. These increases were partially offset by a reduction of contracted services costs related to reduced joint use communications work versus the prior year.
Increased	\$75	Administrative, billing and collecting - Increased professional services costs related to ongoing corporate initiatives versus the prior year.
Increased	\$203	Consumer products rental expense - Increased variable costs related to ongoing growth in the heat pump and water heater rental programs, partially offset by reductions in contracted services versus the prior year.
Decreased	(\$1)	Lighting rental expense - No significant changes in this area as compared to the prior year.

Interest and Taxes (in thousands)	2022	2021
Interest Revenue	(\$7)	(\$6)
Interest Expense	72	35
Property Tax	603	596
Utility Tax	1,082	1,082
Total interest and taxes	\$1,750	\$1,707

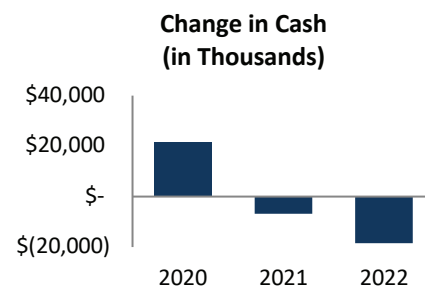
Major contributors to the year-over-year variance in interest and taxes are as follows:

Expenses (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$36	Net Interest Expense - Reduced cash balances as compared to the previous year led to increased utilization of operating line of credit.
Increased	\$7	Property/Utility Tax - No significant changes compared to prior year.

Year-over-year Results – Cash Flows

The following is a summary of Saint John Energy's cash flows for the year with a comparison to the previous year's results:

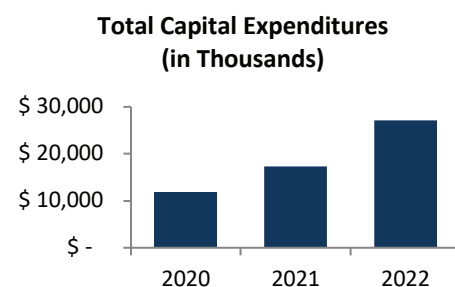
Cash Flows (in thousands)	2022	2021
Net Income Adjusted for Non-cash Items	\$11,838	\$10,394
Change in Working Capital	(760)	2,719
Capital Expenditures less Proceeds on Disposal	(27,069)	(16,856)
Financing Activities	(2,480)	(2,980)
Other Investing Activities	(56)	(12)
Increase (Decrease) in Cash	(18,526)	(6,735)



Major contributors to the year-over-year variance in cash flows are as follows:

Cash Flow Items (in thousands)	Amount	Reason for variance
Contributing factors		
Increasing cash	\$500	Cash Flows from Financing Activities - Increase in cash balance related to a reduction in scheduled loan repayments versus the prior year.
Decreasing cash	(\$3,478)	Change in Working Capital - a large decrease in receivables year over year in 2021 related to COVID collection policies as well as in HST recoverable related to timing of Burchill and Paradise Row project spending contributed to the reduction in cash flow.
Decreasing cash	(\$10,213)	Capital Purchases - Increase in capital purchases versus prior year, primarily related to continuation of Burchill and Paradise Row projects.
Increasing cash	\$1,444	Cash Flows from Operations - Increase in net cash earnings as compared to the prior year.

Capital & Intangible Asset Expenditures (in thousands)	2022	2021
Land and Administration Building	\$145	\$ -
Distribution System	5,021	2,822
Consumer Products	7,563	4,674
Other Fixed Assets	1,477	1,347
Construction in Progress	12,246	8,098
Intangible Assets	653	391
Total capital expenditures	\$27,105	\$17,332



Major contributors to the year-over-year variance in capital expenditures are as follows:

Capital Expenditures (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$145	Land and Administration Building - Increase related to improvements made to Paradise Row building.
Increased	\$2,199	Distribution System - Increased spending on substation infrastructure, primarily related to Bayside Substation and Smart Grid projects.
Increased	\$2,889	Consumer Products - Continued growth of mini-split heat pump and water heater rental programs.
Increased	\$130	Other Fixed Assets - Increase in spending on capital spares and vehicle fleet, partially offset by lesser tools and equipment purchases as compared to prior year.
Increased	\$4,148	Construction in Progress - Increase in spending versus prior year is primarily related to ongoing Burchill Wind Interconnection and Paradise Row Substation projects.

Financial statements of Power Commission of the City of Saint John

December 31, 2022

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Statement of comprehensive income	4
Statement of cash flows	5
Notes to the financial statements	6-25

Independent Auditor's Report

To the Board of Commissioners of
Power Commission of the City of Saint John

Opinion

We have audited the financial statements of the Power Commission of the City of Saint John (the "Commission"), which comprise the statement of financial position as at December 31, 2022, and the statements of comprehensive income and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission'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 GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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 Commission'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 Commission 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
May 11, 2023
Saint John, New Brunswick


Power Commission of the City of Saint John
Statement of financial position

As at December 31, 2022
(In thousands of dollars)

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash		—	8,847
Accounts receivable	5 and 16(b)	9,765	9,294
Unbilled revenue		6,798	6,584
Harmonized sales tax recoverable		—	12
Prepaid expenses		1,007	832
		17,570	25,569
Non-current assets			
Loans receivable		26	34
Property, plant and equipment	6	135,224	114,384
Intangible assets	7	1,335	1,182
Total assets		154,155	141,169
Liabilities			
Current liabilities			
Bank indebtedness		9,679	—
Payable to NB Power		9,733	10,077
Accounts payable and accrued liabilities	8	7,472	7,193
Harmonized sales tax payable		194	—
Customer deposits		1,337	1,377
Current portion of due to City of Saint John	9	2,500	2,500
		30,915	21,147
Non-current liabilities			
Due to City of Saint John	9	17,340	19,820
Deferred revenue		2,416	2,058
Post-employment benefits	10	21,104	37,346
Total liabilities		71,775	80,371
Commitments and contingencies	15		
Regulatory balances	11	82,380	60,798
		154,155	141,169

The accompanying notes are an integral part of the financial statements.

Approved by the Board

 _____, Director

 _____, Director

Power Commission of the City of Saint John
Statement of comprehensive income

Year ended December 31, 2022
(In thousands of dollars)

	Notes	2022	2021
		\$	\$
Electrical operations			
Revenue		111,703	107,640
Energy purchased		90,942	87,557
		20,761	20,083
Other income			
Consumer product rentals		8,353	7,591
Lighting rentals		1,388	1,350
Other	12	2,729	1,891
		33,231	30,915
Operating expenses			
Administration, billing and collection		12,577	12,502
Distribution, operations and maintenance		12,118	11,777
Consumer product rentals		4,696	4,492
Lighting rentals		199	201
Income from operations		3,641	1,943
Finance income	14	7	6
Finance costs	14	(72)	(35)
Net income		3,576	1,914
Movement in regulatory balances	11	(3,576)	(1,914)
Net income after movement in regulatory balances		—	—
Other comprehensive income			
Items that will not be reclassified to net income			
Actuarial gain on post-employment benefits	10(d)	18,006	22,168
Movement in regulatory balances	11	(18,006)	(22,168)
Other comprehensive income		—	—
Total comprehensive income		—	—

The accompanying notes are an integral part of the financial statements.

Power Commission of the City of Saint John

Statement of cash flows

Year ended December 31, 2022

(In thousands of dollars)

	Notes	2022 \$	2021 \$
Operating activities			
Net income		3,576	1,914
Adjustments for			
Depreciation of property, plant and equipment		5,483	4,922
Amortization of intangible assets		500	542
Amortization of deferred revenue		(65)	(54)
Loss (gain) on disposal of property, plant and equipment		93	(28)
Post-employment benefits		1,764	2,848
Contributions received		423	221
Net finance expense		65	29
		11,839	10,394
Change in non-cash operating working capital			
Accounts receivable		(471)	845
Unbilled revenue		(214)	(403)
Harmonized sales tax payable		206	1,350
Prepaid expenses		(175)	159
Payable to NB Power		(344)	(911)
Accounts payable and accrued liabilities		279	1,669
Customer deposits		(40)	9
		(759)	2,718
Net cash from operating activities		11,080	13,112
Financing activity			
Repayment of due to City of Saint John	15	(2,480)	(2,980)
Investing activities			
Loans receivable		8	17
Purchase of property, plant and equipment		(29,991)	(18,386)
Proceeds on disposal for property, plant and equipment		39	477
Government assistance		3,536	1,445
Purchase of intangible assets		(653)	(391)
Net finance costs		(65)	(29)
Net cash used by investing activities		(27,126)	(16,867)
Decrease in cash		(18,526)	(6,735)
Cash, beginning of year		8,847	15,582
(Bank indebtedness) cash, end of year		(9,679)	8,847

The accompanying notes are an integral part of the financial statements.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

1. Reporting entity

The Power Commission of the City of Saint John (the "Commission") is a rate regulated electricity distribution company governed by By-Laws, the Electricity Act and the Local Governance Act of the Province of New Brunswick. The Commission has no share capital. Appointments to the Board of Commissioners are made by the Mayor and Council of the City of Saint John. The Board of Commissioners acts in the best interests of ratepayers and its voting members are not employees of the Commission. The Commission's head office is located in the City of Saint John, 325 Simms Street, New Brunswick.

The Commission is the principal supplier of electrical energy to the residential, general service, small industrial and municipal sectors of the City of Saint John. The majority of the electrical energy is purchased from the New Brunswick Power Corporation ("NB Power"), a Crown Corporation wholly owned by the Government of New Brunswick. The Commission operates under the name "Saint John Energy".

2. Basis of presentation

(a) Statement of compliance

The Commission's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Commissioners on April 27, 2023.

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Commission's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(i) Assumptions about judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are included in the following notes:

- Notes 3(g) and 10 – classification of the Saint John Energy Shared Risk post-employment benefit obligation
- Notes 3(i) – leases

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

2. Basis of presentation (continued)

(d) Use of judgments and estimates (continued)

(ii) Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustment is included in the following notes:

- Notes 3(d), 5 and 17(a) – provision for impairment of accounts and loans receivable
- Note 3(h) – measurement of unbilled revenue
- Notes 3(b), 3(c), 6, and 7 – estimation of useful lives of its property, plant and equipment (“PP&E”) and intangible assets
- Notes 3(g) and 10 – measurement of post-employment benefit obligations: key actuarial assumptions
- Notes 3(f) and 15 – recognition and measurement of provisions and contingencies

(e) Rate regulation and regulatory balances

In establishing the rates that it charges its customers, the Commission must follow the economic regulatory framework set out in the Local Governance Act. The Local Governance Act requires the Commission to make such charges to the users of its services as to produce annually or quadrennial balanced budgets. Surpluses or deficits at the end of each budget period are required to be debited or credited to the second next ensuing year or spread over a four year period commencing on the second next ensuing year. The Local Governance Act also permits the Commission to establish, manage and contribute to an operating reserve fund and a capital reserve fund (“regulatory balances”) in accordance with set regulations. Pursuant to these principles, the Board of Commissioners, acting as rate regulator, approves the amount and timing of changes to rates and other charges as well as the annual capital and operating budgets.

The Commission plans its operations to essentially result in an annual financial breakeven position after any appropriations to the regulatory balances. In accordance with the regulations, amounts held in the regulatory balances are to be used for no purpose other than the payment of expenses incurred by the Commission in the provision of service.

Rate regulation affects the accounting for a transaction or event and results in the recognition of regulatory assets and regulatory liabilities. Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior periods that are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to benefit the customers as a result of the rate-setting process.

Note 11 of these financial statements details the regulatory balances and the movement in the regulatory balances.

When establishing rates to be charged to customers, the rate regulator, which is the Commission’s Board of Commissioners, considers the operating and capital budgets for the respective period. Rates are set so as to achieve specific and full recovery of all the Commission’s operating costs. For the specific benefit of all rate-payers, the Commission is also entitled by regulatory statutes to collect funds from customers in advance of actual costs being incurred (i.e. the regulatory balances).

In the absence of rate regulation, the Commission’s regulatory balances would not be recognized.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

3. Significant accounting policies

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

(a) Financial instruments

Financial assets are identified and classified based on the business model used by the Commission for managing those financial assets, as one of the following: at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss.

The Commission's accounts receivable, unbilled revenue, and loans receivable are classified as financial assets measured at amortized cost. These financial assets are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost when they are held for collection of cash flows, where those cash flows solely represent payments of principal and interest using the effective interest method less any impairment as described in note 3(d). The effective interest method calculates the amortized cost of a financial asset and allocates the finance income over the term of the financial asset using an effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or a shorter period when appropriate, to the gross carrying amount of the financial asset.

The Commission's payable to NB Power, accounts payable and accrued liabilities, customer deposits and due to City of Saint John are classified as financial liabilities measured at amortized cost and recognized on the date at which the Commission becomes a party to the contractual arrangement. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are presented on a net basis when the Commission has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Commission does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

(b) Property, plant and equipment

Property, plant and equipment are measured at historical cost or deemed cost, less accumulated depreciation. Where an item is contributed, it is measured at fair value less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labor, overhead costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

When items of property, plant and equipment are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in net income.

Major spare parts and standby equipment are recognized as items of PP&E. They are not depreciated until they are in use.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

3. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

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

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Commission has concluded it does not have any material legal or constructive obligation to remove property, plant and equipment from any of its sites.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives, and is generally recognized in net income. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the asset is available for use.

The estimated useful lives are as follows:

Land and administration building	10 - 50 years
Distribution system	
Buildings and structures	10 - 70 years
Conduit	50 years
Load control devices	7 years
Lighting	15 - 20 years
Metering	25 - 40 years
Poles	10 - 60 years
SCADA system	7 - 20 years
Substation equipment	10 - 25 years
Switches	30 - 50 years
Transformers	30 - 45 years
Voltage regulators	45 years
Conductors	35 - 60 years
Consumer products	7 - 20 years
Other fixed assets	
IT equipment	3 - 8 years
Tools and equipment	5 - 10 years
Vehicles	6 - 15 years

(c) Intangible assets

Intangible assets include computer software, which is measured at historic cost or deemed cost less accumulated amortization.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Computer software	3 - 10 years
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Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

3. Significant accounting policies (continued)

(d) Impairment

(i) Financial assets

The Commission uses the "expected credit loss" (ECL) model for calculating impairment and recognizes ECL as a loss allowance for financial assets measured at amortized cost. At each reporting date, the Commission measures the loss allowance for financial assets, except for accounts receivables and unbilled revenue without significant financing component, at an amount equal to the lifetime ECL to determine if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Commission measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

For accounts receivables and unbilled revenue without significant financing component, the Commission applies the simplified approach and uses a provision matrix, which is based on the Commission's historical credit loss experience for accounts receivables and unbilled revenue, current market conditions and future expectations, to estimate and recognize the lifetime ECL. Accounts receivables and unbilled revenue that are not assessed for impairment individually are assessed for impairment on a collective basis taking into consideration the unique risk factors associated with each customer group.

(ii) Non-financial assets

The carrying amounts of the Commission's non-financial assets, which include PP&E and intangible assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers to guarantee the payment of energy bills. Interest is accrued on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Commission in accordance with policies set out by the Board of Commissioners or upon termination of their electricity distribution service.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

3. Significant accounting policies (continued)

(f) Provisions

A provision is recognized if, as a result of a past event, the Commission has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(g) Post-employment benefits

The Commission provides its employees with pension and other post-employment supplemental benefits including health care and life insurance benefits beyond those provided by government sponsored plans. In addition, a one-time payment is made to retiring employees based on years of service and salary levels. Certain executives will receive payments in retirement under the Supplemental Employee Retirement Plan, to ensure pension equity. The Commission has discontinued the Supplemental Employee Retirement Plan for future retirees.

The Commission has the following accounting policies with respect to these post-employment benefit plans:

(i) Pension

The Commission provides contributions to the Saint John Energy Shared Risk Plan (SJE SRP) as determined as described in note 10 of these financial statements.

The obligations for the SJE SRP is performed annually by a qualified actuary using the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses, are recognized immediately in other comprehensive income (loss).

(ii) Other supplemental benefits

The benefits offered under these plans are unfunded and administered directly by the Commission.

The obligations for these supplemental benefit plans is performed annually by a qualified actuary using the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses, are recognized immediately in other comprehensive income (loss). When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in net income. The Commission recognizes the cost of the other post-employment benefits in the year in which employees' services were rendered.

(h) Revenue recognition

The Commission assesses each contract with a customer to identify the performance obligation. Revenue is recognized when the control of the goods or services has been transferred to the customer at a point of time or over time. The transaction price and the payment terms are agreed upon in the contract between the Commission and the customer.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

3. Significant accounting policies (continued)

(h) Revenue recognition (continued)

Revenues from the sale of energy sales are recorded on the basis of cyclical billings and include an estimated amount for electricity delivered and not yet billed. The performance obligation is satisfied over time when the electricity is simultaneously received and consumed by the customer. The majority of billings cycle and payment terms are on a monthly basis. These revenues are impacted by energy demand primarily driven by outside temperature, and customer class usage patterns and composition.

Other revenues include consumer products (hot water tanks and heat pump rentals), lighting rentals, revenue from services ancillary to the electricity distribution, customer delinquency charges, sale of miscellaneous goods, and customer contributions.

Revenues earned from arrangements where the Commission leases hot water tanks and heat pumps to customers are accounted for as operating leases. Lease payments received by the Commission under operating leases are recognized on a straight-line basis over the lease term. Revenues earned from lighting rentals and the provision of services ancillary to electricity distribution is recognized as the service is rendered.

Certain assets are contributed by customers or constructed using non-refundable cash contributions from customers. Non-refundable customer contributions, which are used to provide ongoing goods or services to these customers, are recorded as deferred revenue. The deferred revenue is initially recorded at the fair value of contributed assets, or the amount of cash contributions received, and is recognized as revenue on a straight-line basis over the estimated lives of the contracts with the customers. Where contracts with customers are perpetual and the related contributed asset is used to provide ongoing goods or services to customers, the life of the contract is estimated to be equivalent to the economical useful life of the asset to which the contribution relates.

The Corporation has not incurred any additional costs to obtain or fulfil contracts with its customers nor any kind of variable considerations from the above-mentioned revenue generating activities.

(i) Leases

At the inception of a contract, the Commission determines whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

On initial identification of a lease contract, the Commission recognizes a right-of-use ("ROU") asset and a lease liability at the commencement of the lease contract. The lease liability is initially measured at the present value of the future unavoidable lease payments under the contract, discounted using the interest rate implicit in the lease contract.

The Commission has elected not to recognize ROU assets and lease liabilities for lease contracts where the total term of the respective lease contract is less than or equal to 12 months or for low value lease contracts. The Commission recognizes the payments relating to such leases (including principal and interest associated with these leases) as an expense on a straight-line basis over the lease term. These payments are presented within administration, billing, and collection expenses in net income.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

3. Significant accounting policies (continued)

(i) *Leases (continued)*

As a lessor

On initial identification of a lease contract, the Commission determines whether the contract is a finance lease or an operating lease. If a contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the customer, the contract is classified as a finance lease; otherwise, it is classified as an operating lease.

(j) *Government assistance*

Government assistance related to current expenses are recognized in net income on a systematic basis in the periods in which the expenses are recognized. Government assistance relating to PP&E are recorded as a reduction of the cost of such assets and recognized over the useful lives of the assets to which it relates.

(k) *Finance income and finance costs*

Finance income relates to interest on cash deposits and loans, recognized over time, at applicable interest rates.

Finance costs comprises of interest expense on borrowings, customer deposits and bank fees. Finance costs are recognized in net income.

(l) *Taxes*

The Commission is exempt from income taxes. The Commission pays property and utility taxes based respectively on the value of the Commission's land and buildings and the net book value of its in-service distribution assets, net of customer contributions for same.

4. Standards issued but not yet adopted

At the date of authorization of these financial statements, the Commission has not applied the following new and revised IFRS Standards that have been issued but are not yet effective, and have not yet been adopted by the Commission:

- Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current and Non-Current
- Amendments to IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current and Non-Current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

4. Standards issued but not yet adopted (continued)

Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current and Non-Current (continued)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Management is currently assessing the amendments and any potential impact to the Commission.

Amendments to IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendment replaces all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. Management is currently assessing the amendments and any potential impact on the Commission's financial statements

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. Management is currently assessing the amendments and any potential impact on the Commission's financial statements.

5. Accounts receivable

	2022	2021
	\$	\$
Customer accounts	8,837	9,027
Sundry	976	371
	9,813	9,398
Less provision for impairment	(48)	(104)
	9,765	9,294

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

6. Property, plant and equipment

	Land and administration building	Distribution system	Consumer products	Other fixed assets	Construction in progress	Total
	\$	\$	\$	\$	\$	\$
Cost or deemed cost						
Balance at January 1, 2022	15,731	63,500	36,444	10,544	15,458	141,677
Additions	—	15	1,296	4,111	21,033	26,455
Transfers	145	5,006	6,266	(2,632)	(8,785)	—
Disposals/retirements	—	(114)	(50)	(52)	—	(216)
Balance at December 31, 2022	15,876	68,407	43,956	11,971	27,706	167,916
Balance at January 1, 2021	15,731	60,806	32,334	9,332	7,360	125,563
Additions	—	4	4	3,835	13,098	16,941
Transfers	—	2,819	4,669	(2,488)	(5,000)	—
Disposals/retirements	—	(129)	(563)	(135)	—	(827)
Balance at December 31, 2021	15,731	63,500	36,444	10,544	15,458	141,677
Accumulated depreciation						
Balance at January 1, 2022	3,367	11,659	9,129	3,138	—	27,293
Depreciation	399	1,918	2,650	518	—	5,485
Disposals/retirements	—	(35)	(11)	(40)	—	(86)
Balance at December 31, 2022	3,766	13,542	11,768	3,616	—	32,692
Balance at January 1, 2021	2,970	9,982	7,015	2,781	—	22,748
Depreciation	397	1,720	2,315	489	—	4,921
Disposals/retirements	—	(43)	(201)	(132)	—	(376)
Balance at December 31, 2021	3,367	11,659	9,129	3,138	—	27,293
Carrying amounts						
At December 31, 2022	12,110	54,865	32,188	8,355	27,706	135,224
At December 31, 2021	12,364	51,841	27,315	7,406	15,458	114,384

The Commission has applied \$3,536 (\$1,445 in 2021) of government assistance against the additions of property, plant and equipment. At December 31, 2022 \$3,346 (\$3,285 in 2021) of the additions were unpaid and are recorded in accounts payable and accrued liabilities.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

7. Intangible assets

	Computer software \$
Cost or deemed cost	
Balance at January 1, 2022	3,225
Additions	653
Balance at December 31, 2022	3,878
Balance at January 1, 2021	2,834
Additions	391
Balance at December 31, 2021	3,225
Accumulated amortization	
Balance at January 1, 2022	2,043
Depreciation	500
Balance at December 31, 2022	2,543
Balance at January 1, 2021	1,501
Depreciation	542
Balance at December 31, 2021	2,043
Carrying amounts	
At December 31, 2022	1,335
At December 31, 2021	1,182

8. Accounts payable and accrued liabilities

	2022 \$	2021 \$
Accounts payable	4,062	5,293
Payroll	467	482
Other	2,943	1,418
	7,472	7,193

9. Due to City of Saint John

	2022 \$	2021 \$
Term loan, amortized over 10 years, unsecured, bearing annual interest rates between 1.15% and 1.80% and maturing November 26, 2030	20,000	22,500
Less unamortized financing costs	160	180
Less Current portion of due to City of Saint John	2,500	2,500
	17,340	19,820

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

9. Due to City of Saint John (continued)

Debt is reduced by established annual payments. Payments over the next 12 months are disclosed in the current portion of long-term debt.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2022 are approximately as follows:

	\$
2023	2,500
2024	2,500
2025	2,500
2025	2,500
2026	2,500
2027	2,500

Interest capitalized in 2022 was \$276 (\$289 in 2021).

10. Post-employment benefits

(a) Saint John Energy Shared Risk Plan

On June 1, 2013, the Power Commission of the City of Saint John Superannuation Fund, a defined benefit pension plan, was converted to the Saint John Energy Shared Risk Plan ("SJE SRP"), a shared risk plan under the Pension Benefits Act of New Brunswick.

The primary purpose of the SJE SRP is to provide retirement benefits to eligible employees in the form of periodic payments to pensioners after retirement and until death in respect of their service as employees. A further purpose of the SJE SRP is to provide secure benefits to members without an absolute guarantee but with a risk-focused management approach delivering a high degree of certainty that base benefits will be payable in the vast majority of potential future economic scenarios. As a shared risk plan, all future cost of living adjustments for current and future retirees and other ancillary benefits under the SJE SRP shall be provided only to the extent that funds are available for such benefits as determined by the Board of Trustees of the SJE SRP in accordance with applicable laws and the funding policy.

The Commission and the members of the SJE SRP agreed to the following terms to fund the SJE SRP:

- Employees contribute 9% of pensionable earnings;
- The Commission contributes 9% of pensionable earnings;
- The Commission contributes an additional 8.5% of pensionable earnings on a temporary basis until 2028 or earlier if the SJE SRP is able to meet its risk management goals under the Funding Policy; and
- Annual actuarial reviews are the responsibility of the Board of Trustees of the SJE SRP.

Should, for two consecutive years, the SJE SRP accrued benefit obligation, using the funding valuation, exceed the pension assets, the employee and the Commission contribution rates would each increase up to 2%. Alternatively, a 2% decrease in the contribution rates is possible given consecutive surpluses as well as other criteria having been met. A 2% contribution rate change is the maximum allowable cumulative change in the contribution rate for the Commission, with respect to the SJE SRP.

No triggering event occurred in 2022. The Commission expects to pay \$1,736 in contributions to the SJE SRP in 2023. The December 31, 2022 actuarial valuation was extrapolated using the results from the January 1, 2022 actuarial valuation.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

10. Post-employment benefits (continued)

(a) *Saint John Energy Shared Risk Plan (continued)*

Due to the nature of a shared risk plan, benefits are no longer guaranteed by the Commission. For pensionable service before the conversion date, the base benefits (prior to any adjustments for adverse or better than anticipated investment returns) are equal to the member's years of pensionable service to a maximum of 35 years times 2% of the member's best three year average annual pensionable earnings. Post conversion date pension benefits are equal to 2% of the employee's annual base earnings (career average).

(b) *Other supplemental benefits*

Other post-employment benefits include health care and life insurance benefits beyond those provided by government sponsored plans. Also, a one-time payment is made to retiring employees based on years of service and salary levels. Additionally certain executives will receive payments in retirement under the Supplemental Employee Retirement Plan, to ensure pension equity. The Commission has discontinued the Supplemental Employee Retirement Plan for future retirees.

The Commission expects to pay \$392 in contributions to the other supplemental benefits in 2023. The December 31, 2022 actuarial valuation was extrapolated using the results from the January 1, 2022 actuarial valuation.

(c) *Reconciliation of post-employment benefits*

	2022	2021
	\$	\$
Opening SJE SRP benefit obligation	(105,562)	(118,178)
Current service	(1,702)	(2,258)
Interest cost	(3,237)	(3,044)
Actuarial gain	19,823	14,987
Employee contributions	(831)	(788)
Benefit payments	3,933	3,719
Closing SJE SRP benefit obligation	(87,576)	(105,562)
Opening fair value of plan assets	85,332	79,524
Employer contributions	1,615	1,533
Employee contributions	831	788
Expected return on plan assets	2,580	2,010
Actuarial (loss) gain	(8,155)	5,379
Benefits paid	(3,933)	(3,719)
Administrative expenses	(190)	(183)
Closing fair value of plan assets	78,080	85,332
SJE SRP deficit	(9,496)	(20,230)
Opening other post-employment benefit obligation	(17,116)	(18,012)
Current service	(671)	(757)
Interest cost	(536)	(475)
Actuarial gain	6,337	1,801
Benefit payments	378	327
Closing other post-employment benefit obligation	(11,608)	(17,116)
Total post-employment benefits obligations	(21,104)	(37,346)

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

10. Post-employment benefits (continued)

(d) *Included in other comprehensive income (loss)*

	2022	2021
	\$	\$
Actuarial gain (loss) arising from SJE SRP		
Financial assumptions	19,823	14,987
Asset returns (short of) in excess of expectations	(8,155)	5,379
	11,668	20,366
Other post-employment benefits		
Plan experience		
Financial assumptions	6,338	1,802
	6,338	1,802
Actuarial gain included in other comprehensive income	18,006	22,168

(e) *Included in net income*

	SJE SRP	Other Post-employment benefit	2022	2021
	\$	\$	\$	\$
Current and past service	1,702	671	2,373	3,015
Interest cost	3,237	536	3,773	3,519
Expected return on plan assets	(2,580)	—	(2,580)	(2,010)
Administrative expenses	190	—	190	183
	2,549	1,207	3,756	4,707

(f) *Key actuarial assumptions*

	2022	2021
	\$	\$
Discount rate for SJE SRP	5.05%	3.05%
Discount rate for other post-employment benefits	5.05%	3.05%
Salary levels	3.50%	3.50%
Long-term health care cost inflation		
Drugs, extended health and travel	5.57%	5.68%
Hospital and Dental	4.34%	4.43%
Inflation	2.00%	2.00%
Cost of living for SJE SRP	5.96%	2.41%

The weighted average duration of the post-employment benefit obligations is 18 years.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

10. Post-employment benefits (continued)

(g) *Sensitivity analysis*

Reasonably possible changes at the reporting date of the key actuarial assumptions, holding other assumptions constant, would have affected the post-employment benefit obligations as follows:

- a 0.50% increase in the assumed discount rate would result in the post-employment benefit obligation decreasing by \$6,722
- a 0.50% decrease in the assumed discount rate would result in the post-employment benefits obligation increasing by \$7,565
- a 1% increase in the assumed health care cost trend would result in the post-employment benefit obligation increasing by \$1,725
- a 1% decrease in the assumed health care cost trend would result in the post-employment benefit obligation decreasing by \$1,330
- a 0.50% increase in the assumed cost of living adjustments trend would result in the post-employment benefit obligation increasing by \$6,835; and
- a 0.50% decrease in the assumed cost of living adjustment would result in the post-employment benefit obligation decreasing by \$6,121.

(h) *SJE SRP assets*

SJE SRP assets comprise the following:

	2022	2021
	\$	\$
Cash	3,014	1,451
Pooled funds	59,067	67,812
Real estate and infrastructure fund	16,000	16,069
	78,081	85,332

All equity securities are classified as Level 1. Cash and pooled funds are classified as Level 2. The real estate fund's fair value are classified as Level 3.

As required under the Pension Benefit Act of New Brunswick the assets of the SJE SRP are managed by an independent Board of Trustees. The Trustees established a funding policy which establishes an asset mix and engaged professional investment managers to invest the assets to achieve the risk management goals set out in the funding policy.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

11. Regulatory balances

	January 1, 2022	Additions	Reversals	December 31, 2022
	\$	\$	\$	\$
Capital reserve regulatory liabilities	52,516	3,576	—	56,092
Accumulated actuarial gain on post-employment benefits	8,282	18,006	—	26,288
Ending balance	60,798	21,582	—	82,380

	January 1, 2021	Additions	Reversals	December 31, 2021
	\$	\$	\$	\$
Capital reserve regulatory liabilities	50,602	1,914	—	52,516
Accumulated actuarial gain (loss) on post-employment benefits	(13,886)	22,168	—	8,282
Ending balance	36,716	24,082	—	60,798

As per note 2(e), the Commission is mandated by legislation to operate at a financial break even after any appropriations to the regulatory balances. Any comprehensive income or loss incurred is charged to the regulatory balance, with the corresponding debit or credit made to the Statement of Comprehensive Income. The vast majority of this obligation results from the timing differences between when revenue for the provision of services is recognized and the amortization of PP&E and intangible assets and post-employment benefits obligations.

12. Other income

	2022	2021
	\$	\$
Rendering of services	2,207	1,539
Customer delinquency charges	223	151
Sale of miscellaneous goods	187	125
Revenue recognized from customer contributions	65	57
Other	47	19
	2,729	1,891

13. Employee salaries and benefits

	2022	2021
	\$	\$
Salaries, wages and benefits	12,324	11,393
CPP and EI remittances	562	504
SJE SRP (Note 10 (e))	2,549	3,474
Other post-employment benefit (Note 10 (e))	1,209	1,233
	16,644	16,604

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

13. Employee salaries and benefits (continued)

Employee salaries and benefits have been allocated as follows:

	2022 \$	2021 \$
Distribution, operations and maintenance	6,610	6,412
Administration, billing and collection	6,824	6,863
Consumer product rentals	1,451	1,424
Lighting rentals	86	88
Capitalized into property, plant and equipment	1,673	1,817
	16,644	16,604

14. Finance income and costs

	2022 \$	2021 \$
Finance income		
Other	7	6
	7	6
Finance costs		
Bank fees on bank deposits	22	29
Other	50	6
	72	35
Net finance expense recognized in net income	65	29

15. Commitments and contingencies

Contractual obligations

The majority of electrical energy sold by the Commission to its customers is purchased from NB Power under a supply agreement. During 2012, the supply agreement was amended to extend the term for a period of ten years to March 31, 2022. Thereafter, the agreement is extended from year to year unless either party provides 12 months written notice to the other party of its intention to terminate.

Effective December 21, 2020, the Commission and the City of Saint John ("the City") entered into a Memorandum of Agreement ("MOA") with respect to the City's support of Saint John Energy's Growth Plan. This MOA outlines key elements of the City's support for the growth plan, including the potential Burchill Wind Project, as well as the structure of payments that will be made by Saint John Energy to the City in exchange for these support services. Saint John Energy will allocate and pay to the City potential benefits derived from the Burchill Project to support the Community Energy Plan using a defined benefit formula should the project proceed, and energy purchase savings be realized.

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

15. Commitments and contingencies (continued)

General

From time to time, the Commission is involved in various litigation matters arising in the ordinary course of its business. The Commission has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Commission's financial position, results of operations or its ability to carry on any of its business activities.

16. Related party transactions

(a) Controlling party

The Commission does not have any share capital. The Board of Commissioners make decisions which are in the best interest of the ratepayers. The Mayor and Council of the City of Saint John (the "City") retain the right to appoint the Commissioners to the Board. The City, uses a modified equity method to account for its interest in the Commission. The financial statements of the City are available for public use.

(b) Outstanding balances with related parties

	2022	2021
	\$	\$
Amounts included in accounts receivable		
City	289	305
Related entities controlled by the City	35	41
	324	346

These balances are in the normal course of business and are due within 30 days of receipt of the invoice. No material security or provision has been taken against these balances.

(c) Transactions with controlling party and related entities

The Commission delivers electricity to the City throughout the year for the electricity needs of the City and its related entities. Electricity delivery charges are at prices and under terms approved by the Board of Commissioners. The Commission also provides the City with streetlight maintenance services. Revenue from the City totaled \$4,239 (\$4,164 in 2021) and revenue to related entities totaled \$845 (\$753 in 2021). These transactions are recorded at the exchange amount as agreed to by the parties.

(d) Key management personnel

The key management personnel of the Commission have been defined as members of its Board of Commissioners and executive management team members. The compensation paid or payable is as follows:

	2022	2021
	\$	\$
Commissioners fees	51	37
Salaries	687	471
Other benefits	51	79
Post-employment benefits	133	122
	922	709

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2022

(In thousands of dollars)

17. Financial instruments and risk management

Fair value disclosure

The fair value hierarchy includes three levels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis
- Level 2: Other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3: Unobservable inputs, supported by little or no market activity, used to measure the fair value of the assets or liabilities to the extent that observable inputs are not available.

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

The fair value of loans receivable approximates its carrying value. The fair value is calculated based on the present value of future principal and interest cash flows discounted at the current rate of interest at the reporting date.

Capital disclosures

When managing capital, it is the main objectives of the Commission to ensure ongoing access to funding to maintain and improve the electricity distribution system.

Financial risks

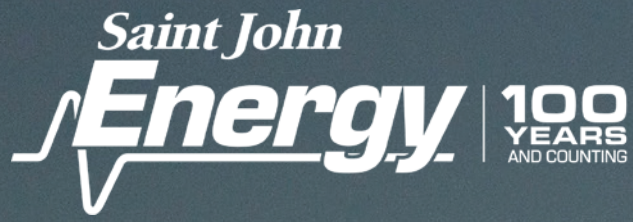
The Commission understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Commission's exposure to a variety of risks such as credit risk and liquidity risk, as well as related mitigation strategies, are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Commission, such as accounts and loans receivable, expose it to credit risk. The Commission earns its revenue from a broad base of customers located in the City of Saint John. No single customer accounts for a balance in excess of 3% of total accounts and loans receivable.

The carrying amount of accounts and loans receivable is reduced through the use of an ECL allowance and the amount of the related ECL expense is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the ECL allowance at December 31, 2022 is \$48 (\$104 in 2021). An ECL expense of \$187 (\$180 in 2021) was recognized during the year.

The Commission's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2022, approximately \$385 (\$379 in 2021) is considered 60 days past due. The Commission has over 36,000 customers, the majority of whom are residential. The revenues from contracts with customers by type of customers is as follows: residential \$55,016 (\$52,456 in 2021), commercial \$55,940 (\$54,423 in 2021), and other \$747 (\$762 in 2021). Credit risk is managed through monitoring collectability which requires ongoing assessment and corrective action and the collection of security deposits from customers. As at December 31, 2022, the Commission holds security deposits in the amount of \$1,337 (\$1,377 in 2021).



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