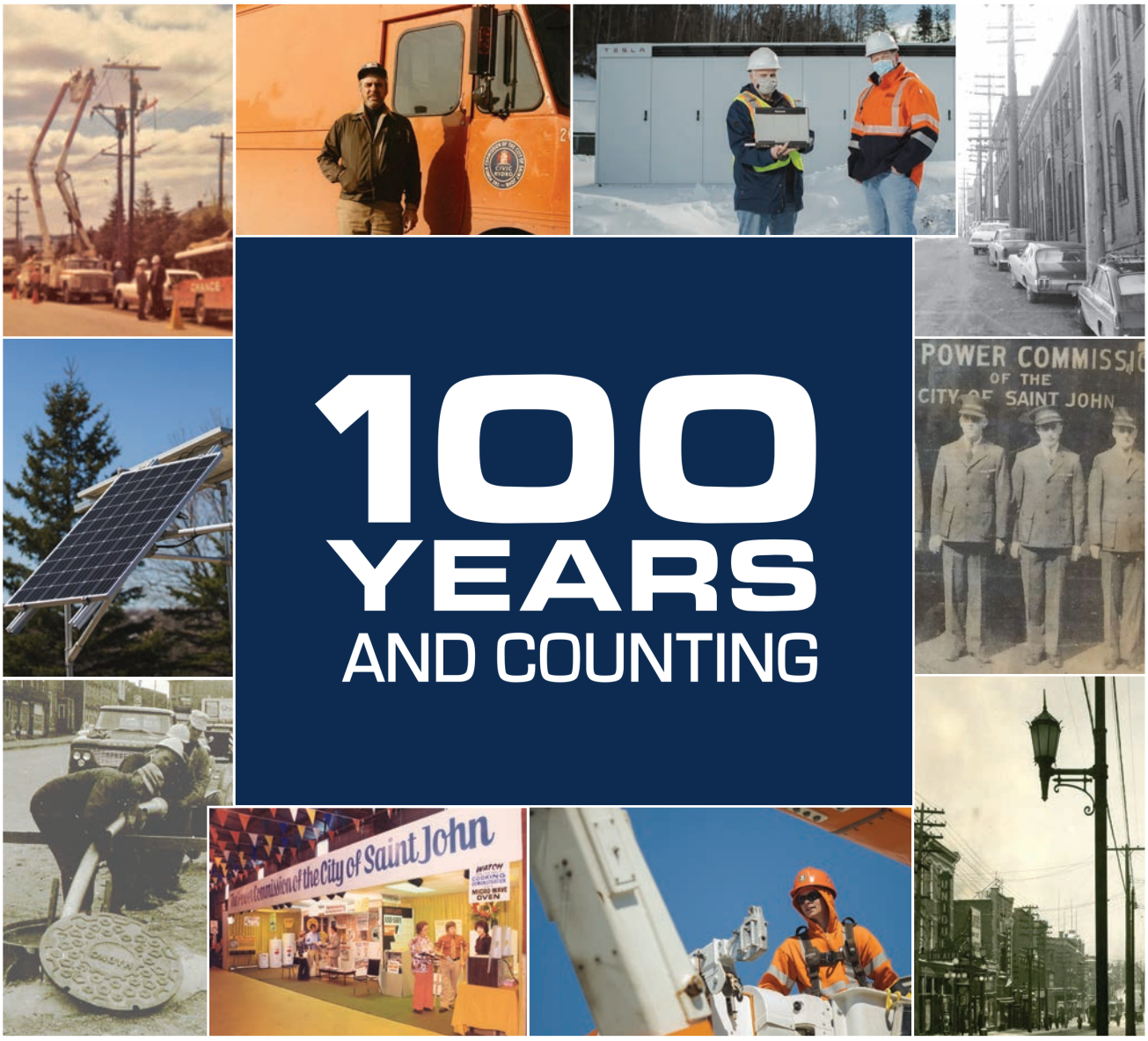


100 YEARS AND COUNTING

ANNUAL REPORT 2021-22

Saint John Energy

We provide affordable, reliable and innovative solutions to our customers, helping them make informed choices so they can take control of their energy needs.

OUR PURPOSE

Saint John Energy is a community-owned energy company that cares, above all, about people. We are relentless in our goal to provide our customers innovative, convenient, reliable energy choices that provide comfort, save money and help protect the environment. We care about our teams and we care about the communities we serve. We invest in them every day. In all that we do, we seek to leave the world a better place.

OUR MISSION

We provide affordable, reliable and innovative solutions to our customers, helping them make informed choices so they can take control of their energy needs.

OUR VISION

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

TABLE OF CONTENTS

EXTENDING MY PERSONAL GRATITUDE

Ray Robinson served as President & CEO of Saint John Energy from October 2012 to February 2022.

As Saint John Energy celebrates a remarkable century of service to this city, I must express my gratitude for the people that drive this success: the employees.

For the last decade, I have had the privilege to lead Saint John Energy, one of the finest community-owned electric companies in the country.

This well-earned reputation, which owes everything to the stellar workforce, has inspired community support the likes of which I have never before witnessed in my career.

I firmly believe Saint John Energy's community-first approach is one of the key reasons for its tremendous accomplishments. It is what will continue to propel it forward on its innovative, robust and successful path into the future.

The trailblazing happening here is being noticed, and followed, in Canada and around the world.

It has been a true honour to work with the small but mighty team at Saint John Energy, people who have a tireless commitment to their jobs and their city.

I am also personally grateful for the vision and leadership shown by the community leaders who have served with diligence and dedication on our Board of Commissioners over my time. I have deeply appreciated your counsel and your commitment to the organization.

I can't wait to see what's next for Saint John Energy, our city and our province. I know this community will continue to be a trailblazer in building a cleaner and more prosperous future for generations to come.

Sincerely,

Ray Robinson, P.Eng.

The trailblazing happening here is being noticed, and followed, in Canada and around the world.

A CENTURY OF SERVICE… AND WE'RE JUST GETTING STARTED

As Saint John Energy marks 100 years in business in 2022, it is fascinating to look back at the significant role our company has played in the development and the prosperity of the city we serve.

In the pages ahead, we share some of that history with you. It is interesting that the principles that are so important to us today – including delivering affordable power, bringing the latest energy innovations to our customers and advancing the community – have been with us throughout the last century.

While we are justifiably proud of the important role that we have played over the last 100 years, we're excited for the future ahead.

Fittingly, as our milestone year, 2022 will mark some important and historic firsts for us.

The intelligent grid that we have spent the last several years building will see Saint John benefit from one of the most advanced smart grids in the nation.

The Burchill Wind Project – the first utility-scale wind farm in the city's history – is set to come online by the end of the year, serving enough clean and renewable energy to power up to 15 per cent of the city.

We're working hard, collaborating with key partners, to deliver on our vision to be a national utility leader in the transition to net-zero. This is a critical step forward not only for us but for our community and our environment.

These are vital pillars to our vision for the Utility of the Future – a vision that will take a great leap forward over the coming year.

We will not stop there. Blessed with strong partners across the public and private sectors, we continue on a path of sustainability and innovation, positioning ourselves and our community for a brighter future.

The talented people of Saint John Energy move into the next century with optimism and with relentless determination to provide the ingenuity, reliable service and commitment to community that have marked our successes over the past 100 years.

Sincerely,

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

Ryan Mitchell is President & CEO of Saint John Energy.

The talented people of Saint John Energy move into the next century with optimism and with relentless determination to provide the ingenuity, reliable service and commitment to community that have marked our successes over the past 100 years.


NOT A VISION BUT A REALITY

The Far-reaching Benefits of Cheap Electric Power

A CENTURY OF INNOVATION


Hydro Commission Is Authorized by Council And Members Named

Number of Commission Increased From Five To Seven and Term Fixed At Two Years

In 1922, Saint John Common Council's top priority was to create a municipal electric utility.

Saint John voters had just recalled a mayor over the issue of high energy prices. Privately owned generation plants were selling electricity for up to 10 cents per kilowatt hour, an exorbitant rate for the time.

New mayor G. Fred Fisher pledged that his first official act would be to create a local power commission to regulate prices and manage distribution. He was as good as his word.

On Dec. 5, 1922, the Power Commission of the City of Saint John was established, and the utility you know today as Saint John Energy was born.

In the beginning, our utility had no assets and no workforce – just a board of commissioners determined to create the municipal infrastructure that Saint John would need to compete in the age of electricity.

Back then, people in Saint John cooked and heated their homes by burning coal. Windmills were a novelty. Generating electricity meant placing turbines in dams on rivers, making the word "hydro" synonymous with electrification for decades.

From the beginning, our utility was a changemaker.

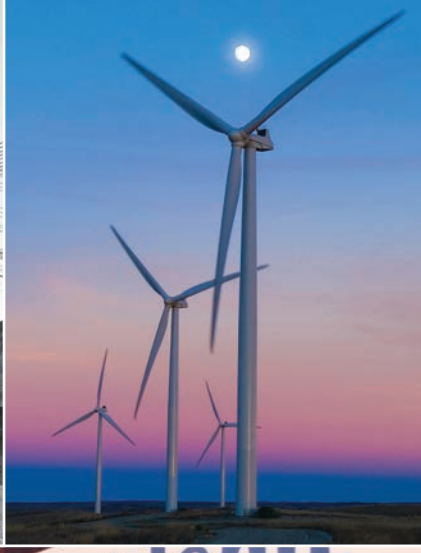
Saint John's first Power Commissioners immediately drew up plans for an electrical substation and distribution network. Within three months, they had mapped the city's first network of streetlights and issued a proposal to distribute power to the Uptown.

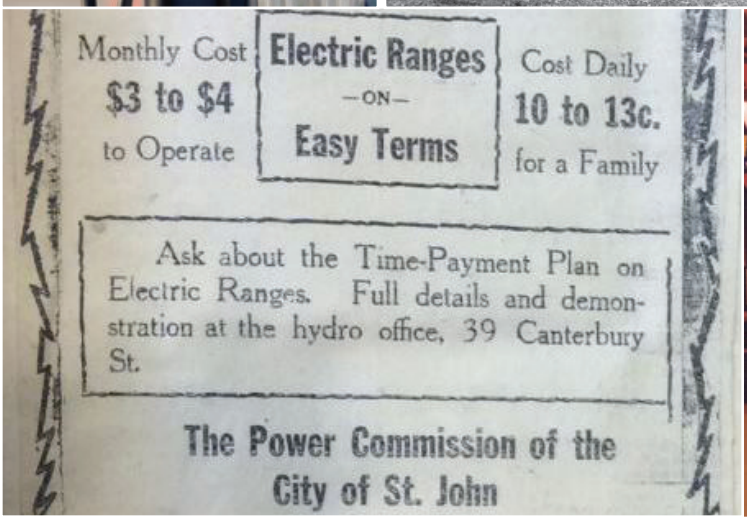
On July 28, 1923, with the flip of a switch, Saint John's electric streetlights were turned on. It was the beginning of a new era. Within a year, the new electrical distribution system would have more than 3,000 customers and the fledgling utility would have its first permanent employees.

By the end of 1924, the Commission had opened its first headquarters on Canterbury Street and agreed to distribute energy in what is now East and West Saint John. It was competing successfully against privately owned electrical generation companies with their own distribution networks. This rivalry would continue for more than two decades.

In 1925, the Commission launched the city's first Christmas lighting campaign, drawing shoppers into the city. In the same year, it offered free electricity to support a public event, the Saint John Exhibition. The Power Commission was already becoming a force for municipal development and a point of pride for city residents.

Our utility has had several names – the Power Commission, Civic Hydro, Saint John Energy – but we have always been





an advocate for clean, reliable electricity and innovator in bringing that to our customers.

Our first appliance program launched in 1924, with a proposal to sell electric ranges through a customer payment plan. Skilled cooks provided dazzling exhibitions of the efficiency of electric stoves and ovens at our headquarters and annually, at the Saint John and Atlantic Exhibitions.

Water heaters, heat pumps, LED lighting and more would follow as our utility stayed at the forefront of emerging electrical technology. We prepare for the future today, as we look to advance programs like EV charging and smart energy appliances.

Saint John's power utility positioned itself as an early adopter of best practices and an employer that supported its workforce. While competitors were stringing power lines through trees, the Power Commission of Saint John insisted upon cleared lanes and poles.

While other companies released employees to join Canada's Armed Forces in the Second World War, our utility informed employees that it would hold their jobs for as long as the war lasted – and did so.

Our commitment to best practices paid off: In 1948, the Power Commission of Saint John officially absorbed the distribution network and workforce of our largest privately owned competitor at the time, the New Brunswick Power Company.

This ended 26 years of fierce competition and made Saint John's publicly owned power company the city's sole distributor of electricity.

For 100 years, we and the city we serve have grown together, with commercial, industrial and residential development following the path of electrification. To better reflect the diversity of our operations, we changed our name to Saint John Energy in 1997.

Throughout all these changes, our utility has continued to be guided by an ethos of public service. We are proud to honour the mandate that Common Council established for us, to provide Saint John with affordable and reliable energy today, tomorrow and for generations to come.

What guided us 100 years ago rings true today

As we look back over the last 100 years, we realize that the principles that were important to us in the early years still guide us today and will carry us into the future with strength.

Providing affordable power. In its first year, Saint John Energy fixed the commercial rate for power at an average 85 per cent lower than the rate charged by some private generators. Today, our residential customers pay about 10 per cent less for electricity than other New Brunswickers. Collectively, this saves all our customers more than $10 million per year.

Bringing the newest technology to consumers. From promoting electric ranges and light fixtures in the 1920s to LED lighting, mini-split heat pumps, smart water heaters and EV charging stations today, we have always prioritized bringing the latest and most efficient technology to our customers, often with the affordability and peace-of-mind of a rental option.

Advancing cleaner energy. From our earliest advertising campaigns touting the efficiency and cleanliness of electric heating and cooking over burning coal or oil to partnering to bring the first utility-scale wind farm to the city in 2022, we have been at the forefront of helping society move to cleaner energy.

Strengthening the community. The citizens who created Saint John Energy knew that electrification and power regulation were keys to economic development. Our operations have fuelled a century of residential, commercial and industrial growth while our culture of giving back to the community strengthens the city's social fabric.

Valuing our workforce. Our workers are the best in the business. We treat them like family, and they pay us back with their loyalty, skill and dedication. In 1925, in an era before workplace compensation or welfare, we hired the son of an employee who had died as a way of supporting the family. The young man went on to work for the utility for 48 years.

Being effective and accountable. Our utility was built on the premise that a publicly owned power distributor would be accountable to the needs of its customers and transparent in its operations. That commitment has built up the trust that our customers place in us every day, and is the reason why we enjoy some of the highest customer satisfaction scores among electric utilities in Canada.

The secret to our success: our people

At Saint John Energy, our people drive our success. We're a community utility that punches well above our weight because of the commitment and talent of our employees.

With a little more than 100 employees, we succeed year in and year out at customer service and reliability scores that are tops among electrical utilities in Canada.

We are known across Canada and around the world for innovation.

This kind of success is fuelled by the people who work for us – the people who bring their skill, drive and energy to the job every day.

From the customer service agents who go above and beyond to help the people of Saint John to the crews that work day and night in all kinds of weather to ensure the lights stay on, to the system operators who ensure a dependable supply of electricity, to our forward-thinking leaders and everyone in between – these are the professionals that make Saint John Energy what it is.

Our reputation and our achievements – today and for the last century – are a direct result of the skills and dedication of our workforce.

For all that you do for Saint John Energy and for the people of our city, thank you.

The Waughs: generations of service

Craig and Colin Waugh

Father and son Craig and Colin Waugh can trace their family connection to Saint John Energy all the way back to the early days of electrification in the 1920s.

That's when Colin's great-grandfather, Lloyd Tracy, began what has become a family tradition, helping to build the lines that have powered the growth of Saint John and the homes of its residents for the past 100 years.

Many others in the family have followed. Colin ticks off the lineage: "My father, my uncle, my great-uncle, my great-grandfather were with Saint John Energy, and my grandfather was with NB Power."

Throughout our history, generations of different families have ended up serving our customers, attracted not only by the work but by our reputation and culture.

Whether it be folks like the Waughs or individuals who come for a few years and end up staying for their entire careers, one of the reasons they stay is because we treat everyone like a part of our family – the Saint John Energy family.

Smitten by the shiny trucks Dad would park at home when he was on call, Colin was just five years old when he scribbled on a piece of paper that he wanted to be a "Hydro Man" and shared his dream with his family.

"It's a different line of work that you really can't compare to anything else and I enjoy being outdoors everyday," Colin says. "I also enjoy the smaller environment of Saint John Energy and the relationships I've made with employees throughout the company."

Craig has served with Saint John Energy for 35 years, influenced by his brother and uncle who both worked with us and talked up the work and experience. He's never looked back.

"I've had opportunities to work in the office or do different things. But I stayed out there as a line worker – that's what I love to do," says Craig. "It has been a great career."

Forging a brighter future through community support

At Saint John Energy, we support our community because it is the right thing to do. It has been that way throughout our history.

Giving back is a part of our culture. Giving back strengthens Saint John, the city we are proud to serve. Giving back helps our city, and the people who live here, flourish.

In 2021, Saint John Energy and its employees gave nearly $148,500 to more than 40 charities in the city – organizations that help the most vulnerable in our society, that feed the hungry, that empower youth and that battle intergenerational poverty in Saint John.

We've given to local hospitals and nursing homes, to organizations that fuel employment and growth among the disadvantaged, and to agencies that support people with physical and intellectual challenges.

And, in 2021, we donated more than $63,000 to the United Way Saint John Kings and Charlotte.

We've given to the United Way since the organization was launched in 1959. This enduring partnership has allowed us to channel our giving to areas of the greatest need in our community.

The United Way does a stellar job in funding organizations that not only help those in need but have the greatest impact with those dollars.

United Way staff are also invaluable advisors to us as we make decisions on which causes could use our help.

Together, we are forging a brighter future for Saint John.

The Outflow crew. From left, Catapult Construction supervisor Wayne Batchelor with Phil Appleby and Jayme Hall, co-executive directors of Outflow.

Changing a community, one life at a time

Sometimes small moments in time can lead to meaningful changes – changes in the way we approach what we do, how we do it and the kind of impact we make.

Catapult Coffee and Catapult Construction are social enterprises launched by the Outflow outreach ministry as part of its mission to give people in Saint John a hand up through shelter, food and employment.

A stop at Catapult Coffee one day led Ryan Mitchell, then our Vice-President and Chief Development Officer and now our President & CEO, to wonder if there was any potential for Catapult and Saint John Energy to work together. His mind turned to the copper wire that Saint John Energy accumulates and recycles.

If Catapult Construction could strip the wire, that would provide employment and transform the wire into pure copper and fetch a much higher price. Catapult would pocket that difference and use that money to fuel their outreach programs.

Not only was Catapult onboard – its construction supervisor, Wayne Batchelor, had both experience and a keen interest in stripping wire.

Wayne, who has battled addiction and spent more than three decades in prison, says he's been transformed by his involvement with Outflow and the job with Catapult.

"I'm a broken man with a broken body, but I love getting up every morning to go to work. Outflow not only saved my life, they're also my friends."

Wayne set to the job but soon realized a specialized wire stripper would be needed to get through it all – and that it would cost thousands of dollars. Luckily, Saint John Energy had partners that were willing to help.

CT Sales, Marmon Utility, Megger Canada and Cam Tran all chipped in to pay for the stripper, while Simpson Scrap Metal Recycling jumped aboard to haul the wire to and from the donated warehouse where Wayne was set up to strip it.

At the end of this first project, after paying Wayne and other expenses, Catapult realized thousands of dollars in profit – money it could use to help people most in need. We've since done a larger second round, which produced thousands of dollars more for Catapult. And the collaboration shows no sign of slowing down.

"While we work with a lot of individuals and businesses who support us," says Jayme Hall, co-executive director of Outflow, "this is the first time we have had a company come to us and look to partner with us on a vision that fits within our mission."

Adds his fellow co-executive director Phil Appleby: "More exciting than that for us, Saint John Energy has made it clear that they are interested in exploring other opportunities with us – opportunities that hold the potential to provide employment, to support our programs and people and enhance the community."

Saint John Energy President & CEO Ryan Mitchell, left, with Outflow Co-Executive Director Jayme Hall.

A century of economic development

For 100 years, Saint John's success has been linked to the success of Saint John Energy.

The leaders who created our utility in 1922 recognized that electrification was the future of powering homes, industry and commerce.

They believed a community that could control the price of energy would be positioned to become an economic powerhouse, and they took steps at that time to create a utility to do just that.

History has proven them right. Throughout the 20th century, the expansion of Saint John's residential neighbourhoods and industrial development followed the path of electrification as Saint John Energy delivered on its promise to provide affordable and reliable power.

Today, according to an economic impact analysis by Jupia Consultants, the community we serve exports more than $10 billion worth of goods and services each year and our customer base has grown to more than 36,000 clients.

Our residential customers enjoy electricity rates that are approximately 10 per cent lower than in other New Brunswick communities. Collectively, our customers save $10 million per year with our lower rates.

With average annual revenues of about $120 million and more than 100 employees, Saint John Energy is the largest of nine municipally owned utilities in Atlantic Canada.

Every dollar that we invest in labour generates an estimated $3.10 in additional employment across our community.

And, in 2021, our procurement policies generated $7.6 million worth of business within a 30-kilometre radius of Saint John.

Our commitment to building the utility of the future for Saint John includes the goal of delivering energy with a net-zero carbon footprint through innovative technologies and sustainable energy sources.

Over the next decade, under a moderate-growth scenario, Saint John Energy's commitment to innovation and accountability is expected to add as much as $1.2 billion to New Brunswick's GDP, while generating $448 million worth of labour income here in Saint John and $265 million in tax revenues.

Our impact is as important now as it was a century ago, because the economy of the future begins with providing reliable, affordable energy today.

Our impact is as important now as it was a century ago, because the economy of the future begins with providing reliable, affordable energy today.

Innovating for the future

At Saint John Energy, we don't believe in standing still.

We believe innovation is the key to a stronger future – for us, for our community, for our planet.

That's why we are building the Utility of the Future here in Saint John, for a strong and sustainable grid that will respond to the needs of our customers today and well into the future. Our Utility of the Future is built on three pillars: renewable energy and storage, innovation in smart grid, and electrification.

We know that by meeting the needs and aspirations of our customers in innovative ways, we can continue to build prosperity for our city – and advance innovation that can help our country, and the world, meet its clean energy ambitions.

Admittedly, we're a small company. But that works to our advantage in pursuing innovation and new ways of doing business – that makes us nimble. And we certainly don't think small: our track record of innovation in energy is attracting notice not only here at home, but across the country and around the world.

Our vision for an intelligent grid has been singled out by the International Smart Grid Innovation Network for global excellence. We've been chosen by innovative Norwegian firms to conduct a pilot for smart water heaters. Our efforts to curb peak energy demand have been recognized as leading the nation.

OK, we're boasting here. But we think it is important to recognize that leading energy innovation can and is happening right here in Saint John – innovation that creates jobs, that strengthens our city and province and that has an impact around the world.

Leading the way to net-zero

As we work to build the Utility of the Future, we seek at the same time to be a national utility leader in the transition to net-zero.

Our concern for the environment around us is nothing new. Saint John Energy was the first utility in Eastern Canada to receive the Sustainable Electricity Company designation.

The designation, granted to us by the Canadian Electricity Association in 2018, recognizes commitment to responsible environmental, social and economic practices, and to the principles of sustainable development.

The designation requires us to comply with the internationally recognized ISO 14001 standard on Environmental Management Systems and ISO 26000 Guidance on Social Responsibility.

We're a leader in phasing out PCBs from our equipment and operations, achieving a complete phase-out by 2008 – eight years ahead of the federal requirement.

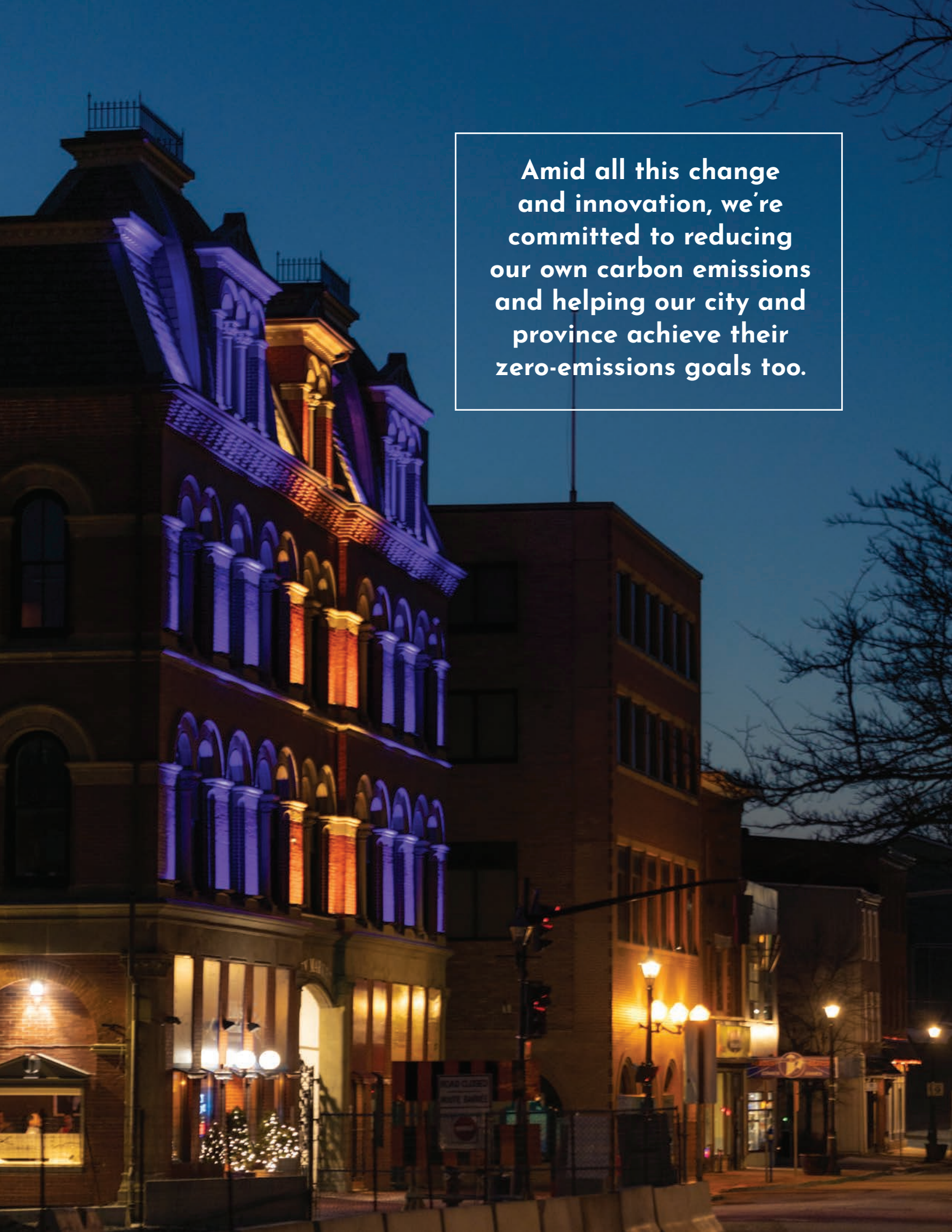
Following this path is not easier but we're doing it because it is the right thing to do – for our business, for our community and for our planet.

As we work ambitiously to be a national leader in net-zero emissions, this builds on our work as a Sustainable Electricity Company, on our partnership with Natural Forces to bring large-scale, clean and renewable wind energy to our customers and on our aggressive actions to lower peak demand energy and the associated carbon emissions.

We are preparing for an energy future that increasingly relies on electricity as the clean alternative – whether that be for heating or cooling your home, fuelling your new EV or the proliferation of smart devices coming your way.

Amid all this change and innovation, we're committed to reducing our own carbon emissions and helping our city and province achieve their zero-emissions goals too.

Following this path is not easier but we're doing it because it is the right thing to do.



Amid all this change and innovation, we're committed to reducing our own carbon emissions and helping our city and province achieve their zero-emissions goals too.

Powering the shift to EVs

We're working diligently to power drivers as they turn increasingly to electric vehicles for a cleaner energy future.

With support from Natural Resources Canada, Saint John Energy has led a project that will see 99 Level 2 EV charging stations established across the region. The federal government contributed nearly half of the funding for the $1.1 million project.

We've worked with utilities and local governments to bring the chargers to communities, allowing drivers to charge up while they enjoy local shops and restaurants.

In Saint John, eight new charging stations were installed across the city to make the transition to EVs more accessible and affordable.

The stations were rolled out with the eager participation of local businesses and organizations that wanted to have the chargers installed in their parking lots.

"We decided to have the chargers installed here because we're big proponents of healthy living, healthy lifestyles and a healthy environment," explains Claudine Sweeney of Simply for Life on Rothesay Avenue.

Additional contributors and site locations elsewhere in the region include the City of Edmundston, the Village of Perth-Andover, the Town of Mahone Bay, the Town of Antigonish, the Town of Berwick and the City of Summerside.

Here in Saint John, we're beginning a project to test out an EV charger rental program in homes. The small-scale project will provide us with the data we need to determine whether charger rentals would be a viable service to our customers.

As part of the shift to electric vehicles, we are exploring options for installing Level 3 chargers in Saint John – making a charge up that much faster. Our aim is to help our city, province and region, and our nation realize a net-zero emission future.

Making history with the Burchill Wind Project

Set to power Saint John with clean and renewable energy for decades to come, the Burchill Wind Project is on track to be operational by the end of 2022.

Site construction activity is underway in Lorneville to establish the first utility-scale wind farm in the history of Saint John.

Natural Forces, an Atlantic Canadian renewable energy developer, is building the wind farm at a cost of more than $60 million and will supply Saint John Energy with wind energy for 25 years at a low-cost fixed rate.

The 42-megawatt wind farm, which is creating 100 construction jobs, will save approximately 43,000 tonnes of CO2 emissions every year. That's the equivalent of taking about 14,000 cars off the road.

The 10 turbines that will power the wind farm are expected to arrive on the site in the fall of 2022, ahead of the anticipated startup by December.

In preparation, Saint John Energy crews are working on the necessary infrastructure – new lines and substation upgrades – that will connect Burchill to our distribution system.

In addition to tapping into Burchill, the significant upgrades will give us the flexibility to add more renewable energy to our grid in the future.

Burchill is a financially sustainable investment for our community – it will save us millions of dollars in electricity purchasing costs every year.

We're proud to be working with Natural Forces to bring this historic renewable energy project to life on our 100th anniversary of serving Saint John.

Burchill is a financially sustainable investment for our community.

Advancing smart grid for a clean energy future

When Saint John Energy's smart grid is fully operational, we will have built one of the most sophisticated intelligent grids in Canada.

It will bring to life our vision for the Utility of the Future – anticipating demands on our system, orchestrating power demand across the city by connecting with thousands of smart energy products in customers' homes and balancing renewable energy flowing in from our Burchill Wind Project.

The project – expected to cost $14.5 million with Natural Resources Canada and ACOA funding more than $6 million of that – will usher in greater convenience for our customers along with a greener and more resilient power grid.

We're grateful to have partnerships that are helping to drive the success of this project, including the innovative folks at the University of New Brunswick. Researchers and students there have been instrumental in propelling advances in the artificial intelligence supporting the grid.

The smart grid allows us to better forecast peak energy demand and helps us manage those events, lowering our costs and curbing greenhouse gas emissions for our energy supplier at the same time.

By advancing artificial intelligence algorithms and machine learning techniques, we will be able to correlate peaks and valleys in energy demand with the weather – allowing for better planning and forecasting.

Our smart grid enables us to manage an array of thousands of distributed energy resources – resources like smart water heaters in customers' homes or our massive Tesla Megapack battery that will store up energy in off-peak times to be deployed in times of higher demand.

Helping us manage peaks in demand is a central benefit of the smart grid. Times of peak demand are costly – attracting charges from our wholesale supplier of electricity that cost us up to $30 million a year. Peak demand can also double carbon emissions in New Brunswick as fossil fuel generation plants are brought online to satisfy the demand.

We're proud of the advanced smart grid technology we're building right here in Saint John. It is the key to a strong and clean energy future for our city.

Norway turns to Saint John Energy

Saint John Energy's international reputation for smart grid development led leading innovators in Norway to choose us to pilot smart water heater technology and advanced grid forecasting techniques for a cleaner world.

"Saint John Energy is globally recognized for its leadership in smart grid innovation," says Roy A. Magnussen, CEO of the OSO Hotwater Group in Norway, a country avidly pursuing clean energy and solutions for a greener world.

For the 12-month pilot, we will install OSO Charge technology into our grid and select customers' homes. OSO Charge water heaters are forecastable, interactive, and offer a secure way to manage and balance energy.

The water heaters come with the OSO inCharge app, which allows customers to see their energy use and observe its positive effect on peak demand and, in turn, greenhouse gas emissions.

Saint John Energy's advanced smart grid will communicate directly with the OSO Charge units in customers' homes to balance energy demand while prioritizing customer comfort.

The collaboration comes amid a long-term relationship between Saint John Energy and OSO, which has been a trusted supplier of water heaters to our company for more than 20 years. OSO introduced us to the other Norwegian partners.

Kongsberg Digital, with its digital twin technology solution Kognitwin Grid, will develop high-resolution simulations that will allow Saint John Energy to predict and manage spikes in energy usage that drive peak demand – demand which leads to increases in carbon emissions along with higher costs for the utility and its customers.

Epos Consulting will develop a customized framework for determination of the costs and benefits of future-scale deployments as well as verifying project results.

Not only did these Norwegian firms see Saint John Energy as the perfect partner for this project, but they, along with the Canadian and Norwegian governments, are investing nearly all the $1.25 million required to run the pilot.

Findings from the partnership will inform the future of controllable water heaters in Saint John and the benefits and applications of the OSO Charge technology here and around the world.

"Saint John Energy is globally recognized for its leadership in smart grid innovation."

Innovating for our customers

Saint John Energy's commitment to innovative products and services of high value to our customers is defining our progress in building the Utility of the Future right here in our city.

Intelligent devices such as smart water heaters provide opportunities to save energy and contribute to a greener environment. By connecting fleets of these devices to our smart grid, we can curb peak demand for energy and the financial and environmental consequences associated with that.

We are projecting significant growth in the coming years in our heat pump rental program. We know people are looking for energy efficiency in heating sources and we are responding to that need. Greenfoot Energy Solutions is our delivery agent for all new heat pump rental installs and is responsible for service and maintenance on Saint John Energy's existing fleet of more than 7,300 heat pumps.

The goal is to help our customers become more energy efficient, which leads to a greener city.

As part of our commitment to ensure safety and efficiency for our customers, we have inspected close to 10,000 hot water tanks over the last two years alone, ensuring older tanks are either inspected or replaced. In 2021, we experienced a record year – replacing more than 2,600 to more efficient models as part of a recapitalization initiative.

Partnerships with companies including OSO of Norway will see Saint John Energy deploy leading smart water heating technology and energy forecasting techniques.

We're also partnering with 1,500 water heater customers to install smart controllers on their tanks to optimize energy usage.

We want to make it easier to have an electric vehicle, installing chargers across Saint John and considering a rental program for customers that would like to have a Level 2 charger at their homes.

We continue to explore innovative ways to serve our customers through affordable energy solutions while creating a cleaner energy future for all of us.

National recognition for our Shave the Peak campaign

At Saint John Energy, we love to find innovative ways to solve today's energy challenges.

In 2021, amid our ongoing focus on curbing the financial and environmental costs of peak demand energy, we launched a campaign to ask our customers to help us curb peak energy.

Our Shave the Peak campaign was conceived as a way to help customers understand the challenges of supplying electricity on the coldest days, when demand for electricity peaks, and to give them an opportunity to join us in taking action.

Not only did thousands of our customers rise to the challenge we posed, but the campaign was recognized nationally for leadership in sustainability by Electricity Canada.

It named us the winner of its Advancement of an Integrated Approach to Sustainability Award for 2021, citing "outstanding leadership" for developing and delivering the campaign.

Shave the Peak launched to the public one frigid March morning, leveraging social media to alert customers to a looming peak in energy demand. As a result, thousands of our customers made small, impactful changes to their power consumption, including deferring use of their stoves, postponing laundry and turning down thermostats.

The social media push that day, which reached more than 84,000 people, is only one part of the story. Behind the scenes, we took a number of steps to dampen or defer the peak, including dialing down the voltage on our lines, drawing power from our Tesla Megapack battery and more.

As a result, we collectively shaved 14 megawatts of electricity off the peak that day and saved more than $200,000 in peak demand charges – hefty fees our wholesale electricity supplier charges as it presses expensive fossil fuel power generators into service to meet the demand.

In New Brunswick, power generation during peak times can double the associated carbon emissions.

Everyone doing all they can to avoid peak demand leads to a cleaner province, and planet, for all.

Power generation during peak times can double carbon emissions.

Significant savings by Shaving the Peak

With our concerted efforts to shave peak demand for energy, we saved more than $1 million through 2021. And that's just the beginning.

The savings underline the importance of our work to curb energy demand at critical times.

Our public Shave the Peak campaign, in which we enlist customers to help us ahead of anticipated peaks, is only a part of our effort. Much more happens behind the scenes.

We deploy a number of techniques to reduce and shift energy demand – efforts which help us avoid the financial and environmental costs of peak demand.

Every year, up to $30 million of our annual energy purchasing costs go to covering just the special charges imposed by our wholesale electricity supplier for satisfying peak demand.

As a company that cares about the environment, we're also mindful that generating enough energy to meet that peak demand in New Brunswick can double carbon emissions as generating stations run on fossil fuels are brought online.

So we are determined to do all we can to avoid that.

Ahead of anticipated peaks, we dial down the voltage on our grid in a way that our customers will not notice but that results in remarkable savings – more than $800,000 in 2021.

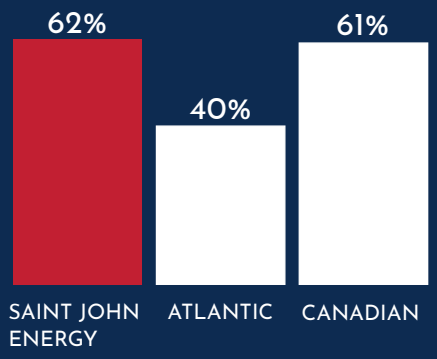
We were able to save more than another $220,000 through other means: We charge up our Tesla Megapack battery at off-peak times and pull power from it when we need it; during peaks, we can also pull power from generators, from smart water heaters and smart baseboard controllers.

In the not-too-distant future, our predictions for looming peaks will become more sophisticated through our smart grid, where the artificial intelligence we're developing will not only be enlisted to forecast events but orchestrate subtle shifts in energy demand across the city to achieve even greater savings.

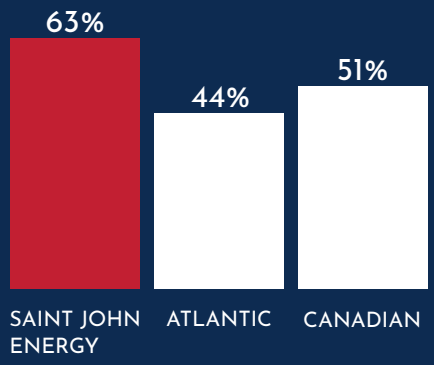
CUSTOMER SATISFACTION SURVEY 2021

Electricity Canada's Annual National Public Attitudes Survey in 2021 ranked Saint John Energy against regional and national averages.

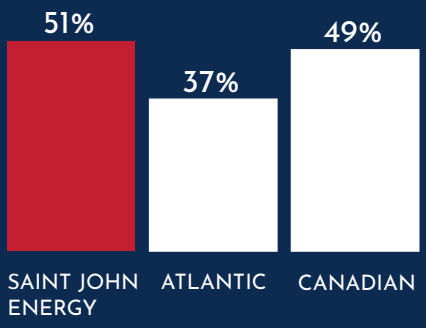
OVERALL SATISFACTION



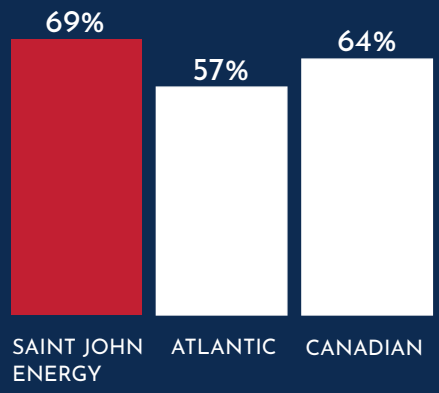
FIRST-TIME RESOLUTION



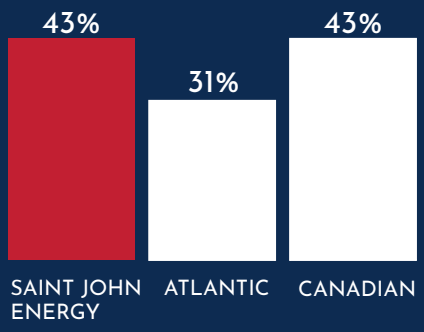
ENVIRONMENTAL STEWARDSHIP



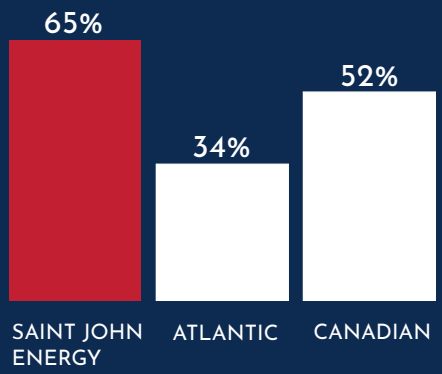
RELIABILITY



CORPORATE CITIZENSHIP



TRUSTWORTHINESS

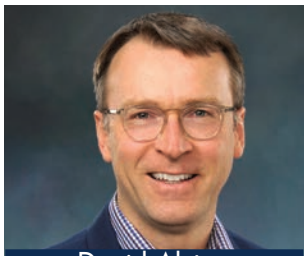


OUR BOARD OF COMMISSIONERS

Stephen MacMackin
Chairperson

James Shaw
Vice-Chairperson

Jonathan Taylor
Secretary



David Alston
Commissioner

Shelley Courser
Commissioner

Bill Edwards
Commissioner

Neil Jacobsen
Commissioner

Gary Sullivan
Commissioner

Ryan Mitchell
President & CEO

OUR MANAGEMENT TEAM

Ryan Mitchell
President & CEO

Glen Fillmore
Executive Director, Strategic Growth and Transformation

Ryan Shonaman
Executive Director, Operations

Jamie Calhoun
Director, Projects

Carl Ozkaynak
Director, Innovation

Andrew Ahearn
Manager, Engineering

Tom Brown
Manager, Finance

Jessica DeLong
Manager, Stakeholder Relations

Jeffrey Garrett
Manager, Compliance, Regulatory and Commercial Affairs

Ingrid Harris
Manager, Electrification

Dave Horgan
Manager, Shared Services

Dana Young
Manager, Asset Management

FINANCIAL STATEMENTS

2021-22

Management Discussion and Analysis

Management's discussion and analysis reviews the financial and operational results for the fiscal year ended December 31, 2021 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 $1,914,000 for the year ended December 31, 2021 as compared to $74,000 in 2020. The following contributing and offsetting factors to revenues and expenses account for the majority of the change in earnings year-over-year:

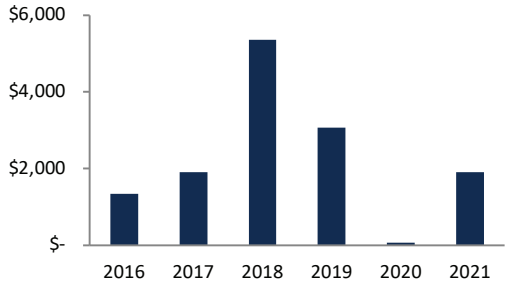
- **Electrical Sales and Purchases** - Gross margin (Electrical Operations) increased by $521,000, primarily due to a 1.8% rate increase effective in April of 2021 and favorable power purchase demand load factor efficiency as compared to the previous year.

- **Operating Expenses -** Operating expenses were essentially flat year-over-year. Increases in billable third-party work, non-cash pension and other post-retirement benefit costs, depreciation and utility tax amounts, and staffing costs to support the inspection and/or replacement of consumer product rental equipment were mainly offset by non-recurring expenditures related to initiatives in support of Saint John Energy's Growth Plan made in the prior year.

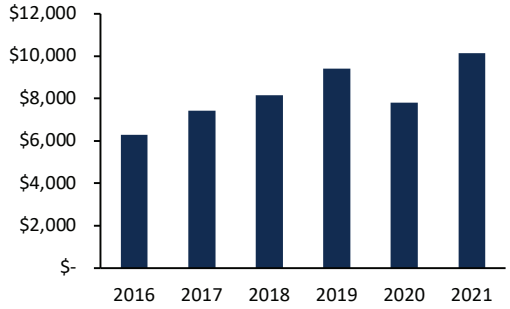
- **Capital Expenditures -** Purchases or construction of property, plant and equipment and intangible assets increased as compared to 2020 by $5,438,000 mainly due to increased spending on major projects, including Smart Grid, Burchill Wind Interconnection and Paradise Row Substation projects, in addition to completing projects that were deferred from 2020 to 2021 due to the Covid-19 pandemic.

- **Cash -** Cash decreased by $6,735,000 during the year due to increased spending on capital projects, with capital investments after proceeds on disposal of $16,856,000. This decrease in cash was partially offset with cash provided by operations before changes of non-cash working capital of $10,394,000.

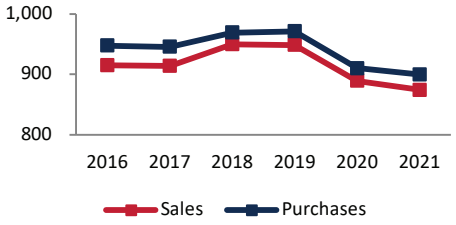
Annual Net Income $000's



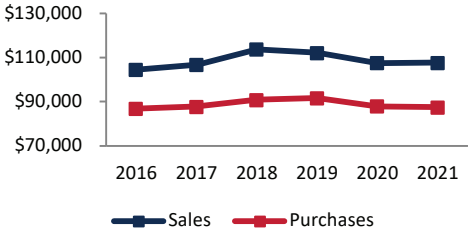
Annual Net Cash Earnings $000's



Annual GWh Energy Sales and Energy Purchases



Annual Energy Sales Purchases $ 000's



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 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. The majority 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.

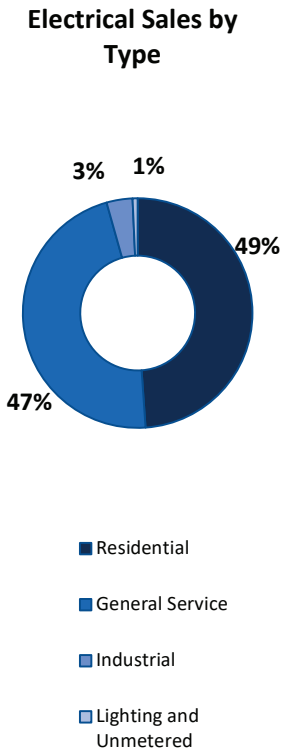
- **Pandemic Risk** – Pandemics are large-scale outbreaks of infectious disease that can greatly affect a wide geographic area and cause significant economic, social, and political disruption. Pandemics can cause economic damage through multiple channels, including short-term fiscal shocks and longer-term negative shocks to economic growth. Societal efforts to control a pandemic could include the implementation of travel bans, boarder 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 customers face 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. 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)	2021	2020
Electrical Sales:		
Residential	$52,456	$52,874
General Service	50,127	50,001
Industrial	3,921	4,045
Lighting and Unmetered	762	958
Total Electrical Sales (exclusive of accrued revenues)	**$107,266**	**$107,878**
Percent Increase (decrease) Year-over-year	-0.6%	-3.9%
GWh	875	890
Percent Increase (decrease) Year-over-year	-1.7%	-6.2%
Accrued Revenues	$374	$(359)
Total Power Sales (inclusive of accrued revenues)	**$107,640**	**$107,519**
Percent Increase (decrease) Year-over-year	0.1%	-4.1%
Other Revenues:		
Consumer Product Rentals	$7,591	$6,903
Lighting Rentals	1,350	1,174
Other	1,891	1,553
Total Other Revenues	**$10,832**	**$9,630**
Total Revenues	**$118,472**	**$117,149**



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

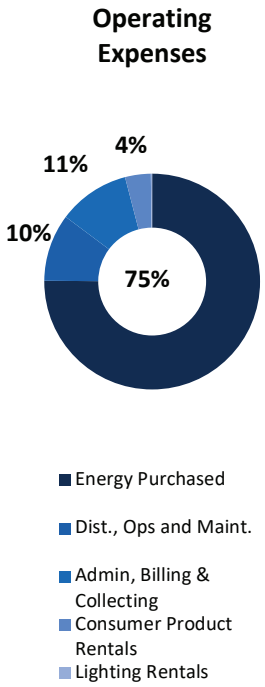
Electrical Sales Revenues (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	$121	Revenue has increased due to a 1.8% rate increase effective in April of 2021, partially offset by slightly lower sales volume than prior year.

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	$1,202	Continued growth of the mini-split heat pump rental program and an increase in amount of billable third-party make-ready and communications joint use work contributed to an increase in other income as compared to the prior year.

Year-over-year Results – Expenses

Expenses (in thousands)	2021	2020
Energy Purchased:		
NB Power	$87,460	$87,898
Embedded Generation	97	59
Total Energy Purchased	**$87,557**	**$87,957**
Percent Increase (decrease) Year-over-year	-0.5%	-4.1%
GWh	900	910
Percent Increase (decrease) Year-over-year	-1.1%	-6.3%
Operating Expenses:		
Distribution, Operations, and Maintenance	$11,777	$11,329
Administration, Billing and Collection	12,502	13,310
Consumer Product Rentals	4,492	4,140
Lighting Rental	201	192
Total Operating Expenses	**$28,972**	**$28,971**
Net Financing Costs	**$29**	**$147**
Total Expenses	**$116,558**	**$117,075**
Operating Expenses by Expense Class:		
Salaries, Wages and Benefits	$14,786	$14,334
Depreciation and Gain/Loss on Disposal	5,437	5,151
Taxes	1,678	1,604
Contractors	2,850	3,094
Equipment and Materials	1,047	799
Other	3,173	3,989
Total Operating Expenses	**$28,972**	**$28,971**



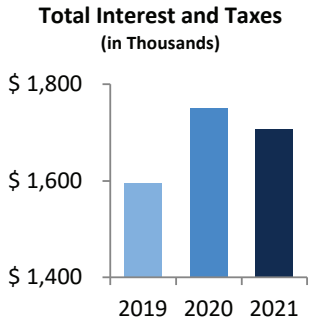
Major contributors to the year-over-year variance in power purchases are as follows:

Energy Purchases (in thousands)	Amount	Reason for variance
Contributing factors		
Decreased	$(437)	**Power Purchases** - decreased due to favorable load factor efficiency performance and slightly reduced power purchases as compared to the prior year. These decreases were partially offset by a 1.8% rate increase in April of 2021.
Increased	$37	**Embedded Generation** - Increase 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	$449	**Distribution, operations and maintenance** - Increase in expense caused by high volume of billable make-ready and joint use communications work, an increase in non-cash pension and other post-retirement benefit amounts and an increase in depreciation and utility taxes due to continued investment in property plant and equipment.
Decreased	$(808)	**Administrative, billing and collecting** - Non-recurring expenditures related to initiatives in support of Saint John Energy's Growth Plan in the prior year led to a reduction in admin, billing and collecting expenses in 2021. This decrease was partially offset by an increase in depreciation expense related to investments in software, website and customer portal assets.
Increased	$352	**Consumer products rental expense** - Increase in expense attributable to additional staffing costs to support efforts to inspect and replace high volumes of our oldest age water heater rental units and increase in depreciation expense.
Increased	$9	**Lighting rental expense** - No significant changes in this area as compared to the prior year.

Interest and Taxes (in thousands)	2021	2020
Interest Revenue	$(6)	$(18)
Interest Expense	35	165
Property Tax	596	536
Utility Tax	1,082	1,068
Total interest and taxes	**$1,707**	**$1,751**



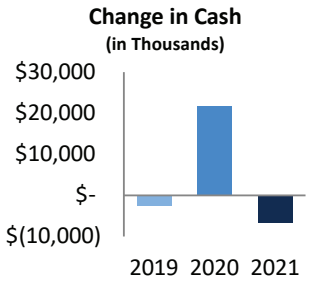
Major contributors to the year-over-year variance in interest and taxes are as follows:

Expenses (in thousands)	Amount	Reason for variance
Contributing factors		
Decreased	$(118)	**Net Interest Expense** - Increased cash balances as compared to the previous year led to reduced utilization of operating line of credit.
Increased	$60	**Property Tax** - Increase to the assessed value of the Paradise Row building for property tax led to higher tax expense compared to the previous 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:

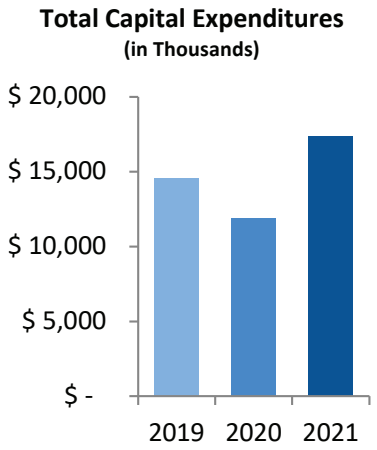
Cash Flows (in thousands)	2021	2020
Net Income Adjusted for Non-cash Items	$10,394	$8,028
Change in Working Capital	2,719	952
Capital Expenditures less Proceeds on Disposal	(16,856)	(12,033)
Financing Activities	(2,980)	24,800
Other Investing Activities	(12)	(106)
Increase (Decrease) in Cash	**$(6,735)**	**$21,641**



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		
Decreasing cash	$(27,780)	**Cash Flows from Financing Activities** - Decrease in cash balance related to loan agreement entered with City of Saint John in December 2020 and scheduled repayments in 2021.
Decreasing cash	$(4,823)	**Capital Purchases** - Increase in capital purchases versus prior year, primarily related to Burchill Wind Interconnection, Paradise Row Substation and Smart Grid projects.
Increasing cash	$2,366	**Cash Flows from Operations** - Increases in both net earnings and estimated employee future benefit expense in excess of benefits paid as compared to the prior year.

Capital & Intangible Asset Expenditures (in thousands)	2021	2020
Land and Administration Building	$ -	$1,874
Distribution System	2,822	2,326
Consumer Products	4,674	5,646
Other Fixed Assets	1,347	876
Construction in Progress	8,098	1,040
Intangible Assets	391	131
Total capital expenditures	**$17,332**	**$11,894**



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

Capital Expenditures (in thousands)	Amount	Reason for variance
Contributing factors		
Decreased	$(1,874)	**Land and Administration Building** - Decrease caused by prior year purchase of building and adjacent land at 90 Paradise Row.
Increased	$496	**Distribution System** - Increase in spending related to the deferring of multiple large projects from 2020 into 2021 due to the Covid-19 pandemic.
Decreased	$(972)	**Consumer Product**s - Decrease in consumer product spending is caused by fewer heat pump purchases due to fewer in installs versus the prior year.
Increased	$471	**Other Fixed Assets** - Increase in spending on capital spares, offset by lesser purchases in vehicle fleet as compared to prior year.
Increased	$7,058	**Construction in Progress** - Increase in spending versus prior year is primarily related to Burchill Wind Interconnection, Paradise Row Substation and Smart Grid projects which remain ongoing.

Financial statements of

Power Commission of the City of Saint John

December 31, 2021

Deloitte LLP
P.O. Box 6549
Brunswick House
44 Chipman Hill, 7th Floor
Saint John NB E2L 4R9
Canada

Tel: 506-632-1080
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www.deloitte.ca

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, 2021, 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, 2021, 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
April 28, 2022
Saint John, New Brunswick

Power Commission of the City of Saint John

Statement of financial position

As at December 31, 2021
(In thousands of dollars)

	Notes	2021 $	2020 $
Assets			
Current assets			
Cash		**8,847**	15,582
Accounts receivable	5	**9,294**	10,139
Unbilled revenue		**6,584**	6,181
Harmonized sales tax recoverable		**12**	1,362
Prepaid expenses		**832**	991
		25,569	34,255
Non-current assets			
Loans receivable		**34**	51
Property, plant and equipment	6	**114,384**	102,814
Intangible assets	7	**1,182**	1,333
Total assets		**141,169**	138,453
Liabilities			
Current liabilities			
Payable to NB Power		**10,077**	10,988
Accounts payable and accrued liabilities	8	**7,193**	5,524
Customer deposits		**1,377**	1,368
Current portion of due to City of Saint John	9	**2,500**	2,500
		21,147	20,380
Non-current liabilities			
Due to City of Saint John	9	**19,820**	22,800
Deferred revenue		**2,058**	1,891
Post-employment benefits	10	**37,346**	56,666
Total liabilities		**80,371**	101,737
Commitments and contingencies	15		
Regulatory balances	11	**60,798**	36,716
		141,169	138,453

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, 2021
(In thousands of dollars)

	Notes	2021 $	2020 $
Electrical operations			
Revenue		**107,640**	107,519
Energy purchased		**87,557**	87,957
		20,083	19,562
Other income			
Consumer product rentals		**7,591**	6,903
Lighting rentals		**1,350**	1,174
Other	12	**1,891**	1,553
		30,915	29,192
Operating expenses			
Administration, billing and collection		**12,502**	13,310
Distribution, operations and maintenance		**11,777**	11,329
Consumer product rentals		**4,492**	4,140
Lighting rentals		**201**	192
Income from operations		**1,943**	221
Finance income	14	**6**	18
Finance costs	14	**(35)**	(165)
Net income		**1,914**	74
Movement in regulatory balances	11	**(1,914)**	(74)
Net income after movement in regulatory balances		**—**	—
Other comprehensive income (loss)			
Items that will not be reclassified to net income			
Actuarial gain (loss) on post-employment benefits	10(d)	**22,168**	(4,113)
Movement in regulatory balances	11	**(22,168)**	4,113
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, 2021
(In thousands of dollars)

	Notes	2021 $	2020 $
Operating activities			
Net income		**1,914**	74
Adjustments for			
Depreciation of property, plant and equipment		**4,922**	4,559
Amortization of intangible assets		**542**	378
Amortization of deferred revenue		**(54)**	(49)
(Gain) loss on disposal of property, plant and equipment		**(28)**	214
Due to City of Saint John	15	**—**	500
Post-employment benefits		**2,848**	2,645
Contributions received		**221**	60
Net finance expense		**29**	147
		10,394	8,528
Change in non-cash operating working capital			
Accounts receivable		**845**	374
Unbilled revenue		**(403)**	327
Harmonized sales tax recoverable		**1,350**	(33)
Prepaid expenses		**159**	(293)
Payable to NB Power		**(911)**	(750)
Accounts payable and accrued liabilities		**1,669**	879
Customer deposits		**9**	(52)
		2,718	452
Net cash from operating activities		**13,112**	8,980
Financing activity			
(Repayment) proceeds of due to City of Saint John		**(2,980)**	24,800
Investing activities			
Loans receivable		**17**	41
Purchase of property, plant and equipment		**(18,386)**	(15,329)
Proceeds on disposal for property, plant and equipment		**477**	84
Government assistance		**1,445**	3,343
Purchase of intangible assets		**(391)**	(131)
Net finance paid		**(29)**	(147)
Net cash used by investing activities		**(16,867)**	(12,139)
(Decrease) increase in cash		**(6,735)**	21,641
Cash (bank indebtedness), beginning of year		**15,582**	(6,059)
Cash, end of year		**8,847**	15,582

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

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 rate-payers 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 26, 2022.

(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

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.

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 labour, 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.

(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

3. Significant accounting policies (continued)

(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

(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.

3. Significant accounting policies (continued)

(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.

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.

3. Significant accounting policies (continued)

(i) Leases (continued)

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.

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 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract
- 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

4. Standards issued but not yet adopted (continued)

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments and are currently not applicable to the Commission, however, may apply to future transactions.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

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.

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, 2023, 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.

(in thousands of dollars)

5. Accounts receivable

	2021 $	2020 $
Customer accounts	**9,027**	8,693
Sundry	**371**	1,558
	9,398	10,251
Less provision for impairment	**(104)**	(112)
	9,294	10,139

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, 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**
Balance at January 1, 2020	13,857	58,585	27,141	8,570	6,319	114,472
Additions	—	1	5	5,975	5,782	11,763
Transfers	1,874	2,325	5,642	(5,099)	(4,742)	—
Disposals/retirements	—	(105)	(452)	(115)	—	(672)
Balance at December 31, 2020	15,731	60,806	32,336	9,331	7,359	125,563
Accumulated depreciation						
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**
Balance at January 1, 2020	2,578	8,345	5,205	2,436	—	18,564
Depreciation	392	1,673	2,035	459	—	4,559
Disposals/retirements	—	(37)	(223)	(114)	—	(374)
Balance at December 31, 2020	2,970	9,981	7,017	2,781	—	22,749
Carrying amounts						
At December 31, 2021	**12,364**	**51,841**	**27,315**	**7,406**	**15,458**	**114,384**
At December 31, 2020	12,761	50,825	25,319	6,550	7,359	102,814

The Commission has applied $1,445 ($3,343 in 2020) of government assistance against the additions of property, plant and equipment. At December 31, 2021 $3,285 ($1,627 in 2020) of the additions were unpaid and are recorded in accounts payable and accrued liabilities.

(in thousands of dollars)

7. Intangible assets

	Computer software $
Cost or deemed cost	
Balance at January 1, 2021	2,834
Additions	391
Balance at December 31, 2021	3,225
Balance at January 1, 2020	2,703
Additions	131
Balance at December 31, 2020	2,834
Accumulated amortization	
Balance at January 1, 2021	1,501
Additions (allocated to administration, billings and collection)	542
Balance at December 31, 2021	2,043
Balance at January 1, 2020	1,123
Additions (allocated to administration, billings and collection)	378
Balance at December 31, 2020	1,501
Carrying amounts	
At December 31, 2021	1,182
At December 31, 2020	1,333

8. Accounts payable and accrued liabilities

	2021 $	2020 $
Accounts payable	**5,293**	3,678
Payroll	**482**	423
Other	**1,418**	1,423
	7,193	5,524

9. Due to City of Saint John

	2021 $	2020 $
Term loan, amortized over 10 years, unsecured, bearing annual interest rates between 1.15% and 1.80% and maturing November 26, 2030	**22,500**	25,000
Payable, due January 1, 2022 (note 15)	**—**	500
	22,500	25,500
Less unamortized financing costs	**180**	200
Less Current portion of due to City of Saint John	**2,500**	2,500
	19,820	22,800

(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, 2021 are approximately as follows:

	$
2022	2,500
2023	2,500
2024	2,500
2025	2,500
2026	2,500

Included in interest expense is $288,750 (nil in 2020).

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.

10. Post-employment benefits (continued)

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

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 2021. The Commission expects to pay $1,586 in contributions to the SJE SRP in 2022. The December 31, 2021 actuarial valuation was extrapolated using the results from the January 1, 2019 actuarial valuation.

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 expects to pay $340 in contributions to the other supplemental benefits in 2021. The December 31, 2021 actuarial valuation was extrapolated using the results from the January 1, 2020 actuarial valuation.

(in thousands of dollars)

10. Post-employment benefits (continued)

(c) Reconciliation of post-employment benefits

	2021 $	2020 $
Opening SJE SRP benefit obligation	**(118,178)**	(109,130)
Current service	**(2,258)**	(1,990)
Interest cost	**(3,044)**	(3,467)
Actuarial gain (loss)	**14,987**	(6,528)
Employee contributions	**(788)**	(800)
Benefit payments	**3,719**	3,737
Closing SJE SRP benefit obligation	**(105,562)**	(118,178)
Opening fair value of plan assets	**79,524**	75,345
Employer contributions	**1,533**	1,556
Employee contributions	**788**	800
Expected return on plan assets	**2,010**	2,352
Actuarial gain	**5,379**	3,369
Benefits paid	**(3,719)**	(3,737)
Administrative expenses	**(183)**	(161)
Closing fair value of plan assets	**85,332**	79,524
SJE SRP deficit	**(20,230)**	(38,654)
Opening other post-employment benefit obligation	**(18,012)**	(16,122)
Current service	**(757)**	(591)
Past service	**—**	(223)
Interest cost	**(475)**	(527)
Actuarial gain (loss)	**1,801**	(954)
Benefit payments	**327**	405
Closing other post-employment benefit obligation	**(17,116)**	(18,012)
Total post-employment benefits obligations	**(37,346)**	(56,666)

(in thousands of dollars)

10. Post-employment benefits (continued)

(d) Included in other comprehensive income (loss)

	2021 $	2020 $
Actuarial gain (loss) arising from		
SJE SRP		
Plan experience	—	472
Financial assumptions	14,987	(7,000)
Asset returns in excess of expectations	5,379	3,369
	20,366	(3,159)
Other post-employment benefits		
Plan experience		906
Financial assumptions	1,802	(1,863)
Changes in future claims assumptions	—	3
	1,802	(954)
Actuarial gain (loss) included in other comprehensive income (loss)	22,168	(4,113)

(e) Included in net income

	SJE SRP $	Other Post-employment benefit $	2021 $	2020 $
Current and past service	2,258	757	3,015	2,804
Interest cost	3,044	475	3,519	3,994
Expected return on plan assets	(2,010)	—	(2,010)	(2,352)
Administrative expenses	183	—	183	161
	3,475	1,232	4,707	4,607

(f) Key actuarial assumptions

	2021 $	2020 $
Discount rate for SJE SRP	3.05%	2.55%
Discount rate for other post-employment benefits	3.05%	2.55%
Salary levels	3.50%	3.50%
Long-term health care cost inflation:		
Drugs, extended health and travel	5.68%	5.79%
Hospital and Dental	4.43%	4.43%
Inflation	2.00%	2.00%
Cost of living for SJE SRP	2.41%	1.22%

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

(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 $9,886;
- a 0.50% decrease in the assumed discount rate would result in the post-employment benefits obligation increasing by $11,299;
- a 1% increase in the assumed health care cost trend would result in the post-employment benefit obligation increasing by $3,426;
- a 1% decrease in the assumed health care cost trend would result in the post-employment benefit obligation decreasing by $2,537;
- a 0.50% increase in the assumed cost of living adjustments trend would result in the post-employment benefit obligation increasing by $9,685; and
- a 0.50% decrease in the assumed cost of living adjustment would result in the post-employment benefit obligation decreasing by $8,561.

(h) SJE SRP assets

SJE SRP assets comprise the following:

	2021	2020
	$	$
Cash	**1,451**	1,379
Pooled funds	**67,812**	59,810
Real estate and infrastructure fund	**16,069**	18,335
	85,332	79,524

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.

(in thousands of dollars)

11. Regulatory balances

	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**

	January 1, 2020 $	Additions $	Reversals $	December 31, 2020 $
Capital reserve regulatory liabilities	50,528	74	—	50,602
Accumulated actuarial loss on post-employment benefits	(9,773)	(4,113)	—	(13,886)
Ending balance	40,755	(4,039)	—	36,716

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

	2021 $	2020 $
Rendering of services	**1,539**	1,408
Customer delinquency charges	**151**	51
Sale of miscellaneous goods	**125**	42
Revenue recognized from customer contributions	**57**	49
Other	**19**	3
	1,891	1,553

13. Employee salaries and benefits

	2021 $	2020 $
Salaries, wages and benefits	**11,393**	10,842
CPP and EI remittances	**504**	453
SJE SRP (note 10 (e))	**3,474**	3,266
Other post-employment benefit (note 10 (e))	**1,233**	1,341
	16,604	15,902

(in thousands of dollars)

13. Employee salaries and benefits (continued)

Employee salaries and benefits have been allocated as follows:

	2021 $	2020 $
Distribution, operations and maintenance	**6,412**	6,132
Administration, billing and collection	**6,863**	6,975
Consumer product rentals	**1,424**	1,163
Lighting rentals	**88**	64
Capitalized into property, plant and equipment	**1,817**	1,568
	16,604	15,902

14. Finance income and costs

	2021 $	2020 $
Finance income		
Interest income on bank deposits	**—**	14
Other	**6**	4
	6	18
Finance costs		
Bank fees on bank deposits	**29**	146
Other	**6**	19
	35	165
Net finance expense recognized in net income	**29**	147

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. The consideration the Commission will pay to the City includes a fee in an amount equal to $500 per annum on each of January 1, 2021 and January 1, 2022; and thereafter, 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.

(in thousands of dollars)

15. Commitments and contingencies (continued)

Contractual obligations (continued)

The fixed payment of $500 on January 1, 2022 has been recognized in accounts payable and accrued liabilities.

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 rate-payers. 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

	2021	2020
	$	$
Amounts included in accounts receivable:		
City	**305**	377
Related entities controlled by the City	**41**	29
	346	406

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 $4,164 ($4,024 in 2020) and revenue to related entities totaled $753 ($755 in 2020). These transactions are recorded at the exchange amount as agreed to by the parties.

(in thousands of dollars)

16. Related party transactions (continued)

(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:

	2021	2020
	$	$
Commissioners fees	**37**	43
Salaries	**471**	462
Other benefits	**79**	78
Post-employment benefits	**122**	130
	709	713

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.

17. Financial instruments and risk management (continued)

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, 2021 is $104 ($112 in 2020). An ECL expense of $180 ($198 in 2020) 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, 2021, approximately $379 ($552 in 2020) 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 $52,456 ($52,874 in 2020), commercial $54,423 ($53,687 in 2020), and other $762 ($958 in 2020). 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, 2021, the Commission holds security deposits in the amount of $1,377 ($1,368 in 2020).

(b) Liquidity risk

The Commission monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Commission's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Commission has access to a $15 million credit facility and a $3 million revolving term loan to finance general operating requirements and a $3 million revolving lease line of credit to finance equipment and leaseholds. The credit facility is secured by a first ranking security agreement. The Commission monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2021, nil (nil in 2020) had been drawn under the credit facility by way of overdrafts.

The majority of the payable to NB Power and accounts payable, as reported on the statements of financial position, are due within 30 days.

Saint John Energy | 100 YEARS AND COUNTING

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