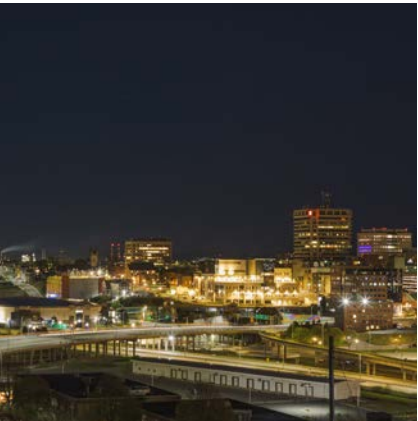
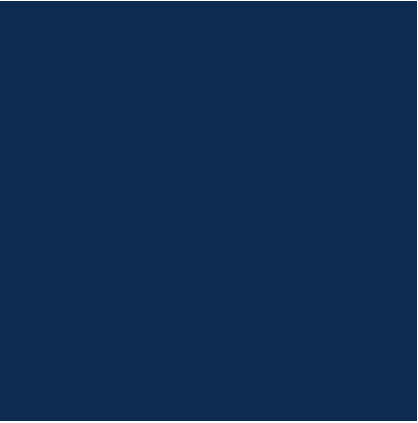




ANNUAL REPORT --- 2023-24



OUR PURPOSE

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

OUR MISSION

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

OUR VISION

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

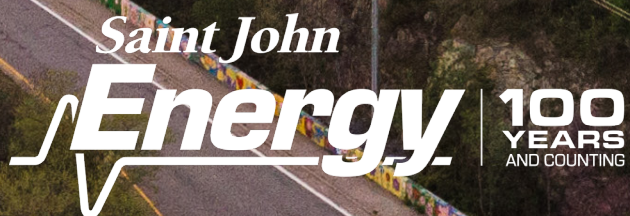


TABLE OF CONTENTS

3

MESSAGE
FROM THE
CHAIRPERSON

4

MESSAGE
FROM THE
PRESIDENT &
CEO

5

CUSTOMER
SATISFACTION
SURVEY

6

GOVERNANCE

7

LEADERSHIP
TEAM

8

FINANCIAL
STATEMENTS

Building on our strength in innovation



James D. Shaw
is Chairperson of
Saint John Energy.

Having had the privilege of serving on the Board of Commissioners for Saint John Energy for more than a decade now, it has become abundantly clear to me why this utility is viewed as one of the most innovative in the country.

It's because of a pervasive culture of thinking outside the box, of wondering, "What can we do differently?"

It is that commitment to innovation that prompted us to pursue a modern governance structure, which requires a change to provincial legislation. Laws that govern Saint John Energy now are dated and obsolete - they certainly do not reflect the realities of the energy sector that we operate in today.

Modernizing legislation is an important step forward. With that step, Saint John Energy would join the more than 90 per cent of electrical utilities in Canada that already benefit from the flexibility of a modern corporation.

It would allow us to pursue even more innovative opportunities on behalf of our customers. It would enshrine the ability for Saint John Energy to flow benefits back to the City of Saint John, the sole shareholder of our utility, making for a stronger community.

The business of electricity is rapidly changing due to the increasing convergence of energy and environmental policies, the impacts of climate change, and the requirement to rapidly reduce greenhouse gas emissions at the community level.

Saint John Energy has a clear vision to be a national leader among electrical utilities in Canada in the transition to net zero. We are demonstrating bold leadership with Zero30, a dynamic roadmap that will lay out our options to reach carbon neutrality by 2030 and allow customers to join if they wish.

Modernizing our governance structure would only strengthen our ability to innovate, and our ability to build a stronger future for our locally owned utility.

Sincerely,

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

James D. Shaw
Chairperson
Saint John Energy

“Saint John Energy has a clear vision to be a national leader among electrical utilities in Canada in the transition to net zero.”

Shaping the energy future for Saint John

At Saint John Energy, we're excited about the future ahead.

We're deep into Zero30, our initiative to build a roadmap to illuminate how Saint John Energy can reach net-zero carbon emissions by 2030 by building a cleaner energy supply, by understanding how our grid will need to grow to meet future demand, and by innovating with our customers.

Innovating with our customers is critically important to us. We've been serving the people of Saint John for more than a century and our commitment to our customers has never been stronger.

We want our customers to join us on the journey to net zero if they wish. Engaging with our customers as we move toward a final Zero30 roadmap in 2025 is helping us discover what services and products would most benefit them.

The number of customers we are serving is growing as more people sign on to our rental program offerings for mini-split heat pumps, water heaters, area lighting and now EV chargers.

We've had one of the strongest financial years in our history, with more than \$5.1 million in net earnings for the year ending Dec. 31, 2023, owing in no small way to energy purchase savings through the Burchill wind farm and our

efforts to avoid the high costs of peak energy demand. Those two efforts alone saved us more than \$1.8 million in 2023.

Those record net earnings are reinvested back into our operations, allowing us to continue our work on building the Utility of the Future in Saint John and to launch into programs and services arising from our Zero30 work.

Both of these are integral to creating a stronger energy future for the city we serve and in bolstering our commitment to stable rates. Despite ever-increasing pressures on energy and other costs, Saint John Energy continues to offer among the lowest rates in Atlantic Canada.

At the same time, we're resolute in our commitments to being a national utility leader in the transition to net zero, in service to our customers, and in reliability in service.

Sincerely,



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



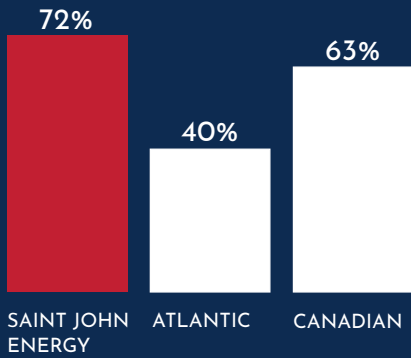
Ryan Mitchell
is President
& CEO of Saint
John Energy.

“Innovating with our customers is critically important to us. We've been serving the people of Saint John for more than a century and our commitment to our customers has never been stronger.”

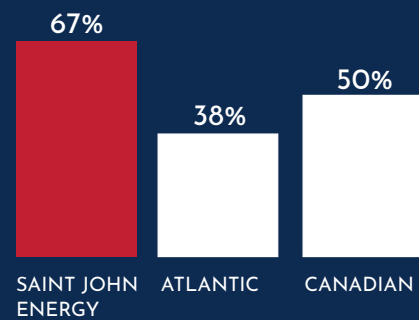
CUSTOMER SATISFACTION SURVEY 2023

Electricity Canada's National Customer Satisfaction Survey in 2023 ranked Saint John Energy against regional and national averages

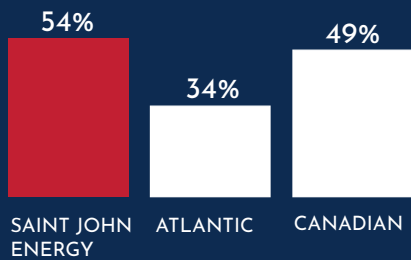
OVERALL SATISFACTION



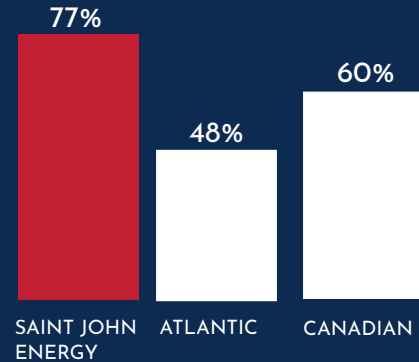
FIRST-TIME RESOLUTION



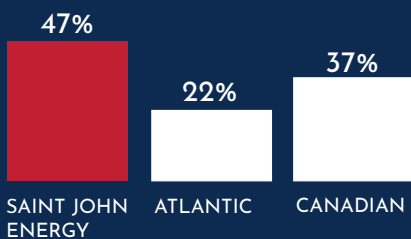
ENVIRONMENTAL STEWARDSHIP



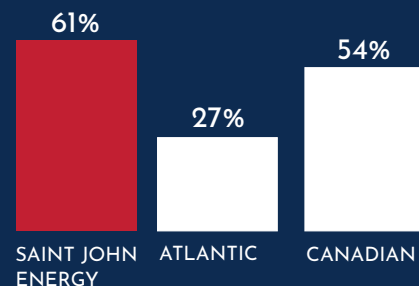
RELIABILITY



CORPORATE CITIZENSHIP



TRUSTWORTHINESS





GOVERNANCE

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



BOARD OF COMMISSIONERS

Saint John Energy's Board of Commissioners as of Dec. 31, 2023:

Clockwise from top: Gary Sullivan, Neil Jacobsen, Chairperson James D. Shaw, Shelley Courser, Stephanie Bell, Eric Poirier, Vice-Chairperson Colleen d'Entremont. Absent: Secretary Jonathan Taylor.



EXECUTIVE

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

FINANCIAL STATEMENTS

2023



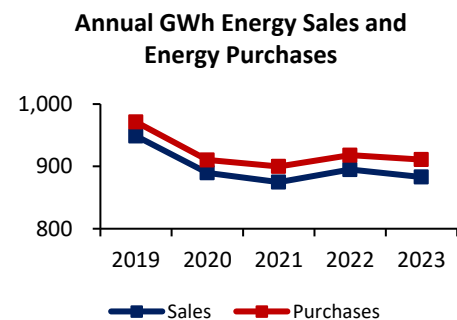
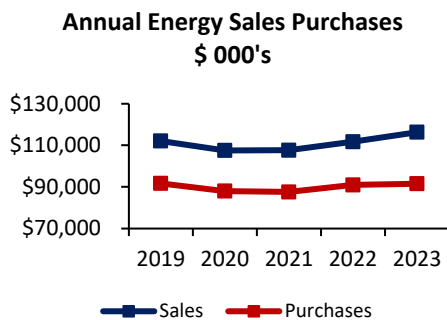
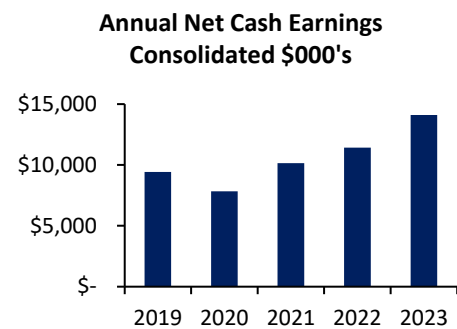
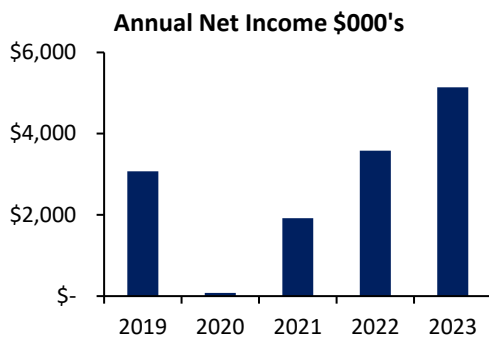
Management Discussion and Analysis

Management’s discussion and analysis reviews the financial and operational results for the fiscal year ended December 31, 2023, 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 \$5,137,000 for the year ended December 31, 2023, as compared to \$3,576,000 in 2022. The following contributing and offsetting factors to revenues and expenses account for the change in earnings year-over-year:

- **Electrical Sales and Purchases** - Gross margin (electrical operations) increased by \$4,066,000, primarily due to savings on electrical energy supply from the Burchill Wind farm, demand response initiatives, and an average 5.7% rate increase applied to both sales and purchases of electricity.
- **Operating Expenses** - Operating expenses increased by \$2,743,000 primarily due to increases in depreciation and utility tax costs related to ongoing investment into capital assets and increased professional services costs related to ongoing corporate initiatives as compared to the previous year.
- **Capital Expenditures** - Purchases or construction of property, plant and equipment and intangible assets decreased as compared to 2022 by \$15,733,000, mainly due to increased spending in 2022 on major projects including the Burchill Wind Interconnection and Paradise Row Substation.
- **Cash** - Cash decreased by \$3,017,000 during the year due to increased spending on capital projects, with capital investments and interest costs after proceeds on disposal of \$11,952,000 and debt repayments of \$2,480,000 outpacing cash provided by operations of \$11,415,000.



Risk Analysis

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

Business Risks

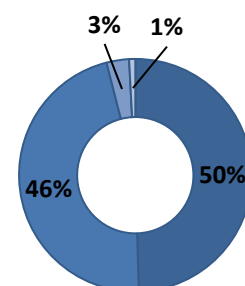
- **Government Policy & Legislative Landscape** - All three levels of government are working on the energy transition which is driving the establishment of policy objectives. Government policy ultimately becomes enshrined in either regulation or legislation which could impact the operations of Saint John Energy.
- **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. A 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. Operating in a pandemic environment could lead to reduced revenues as businesses are forced to close, cash flow erosion as our customers experience economic hardships and require bill payment deferral options, increased competition to raise capital, a reduced capacity to acquire or effectively deploy human resources, and various operational restrictions leading to a need to find new ways to carry on business.
- **Financial Risks** - Saint John Energy understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. 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)	2023	2022
Electrical Sales:		
Residential	\$57,251	\$55,016
General Service	53,768	51,889
Industrial	3,613	3,899
Lighting and Unmetered	998	747
Total Electrical Sales Before Accrued Revenues	\$115,630	\$ 111,551
Percent Increase (decrease) Year-over-year	3.7%	4.0%
GWh	883	895
Percent Increase (decrease) Year-over-year	(1.3)%	2.3%
Accrued Revenues	\$711	\$152
Total Power Sales Inclusive of Accrued Revenues	\$116,341	\$111,703
Percent Increase (decrease) Year-over-year	4.2%	3.8%
Other Revenues:		
Consumer Product Rentals	\$9,458	\$8,353
Lighting Rentals	1,450	1,388
Other	2,470	2,729
Total Other Revenues	\$13,378	\$12,470
Total Revenues	\$129,719	\$124,173

Electrical Sales by Type



- Residential
- General Service
- Industrial
- Lighting and Unmetered

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

Electrical Sales Revenues (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$4,638	An average rate increase of 5.7% in April 2023, partially offset by a slight reduction in energy sales volume contributed to the increase in electrical sales revenues compared to the prior year.

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

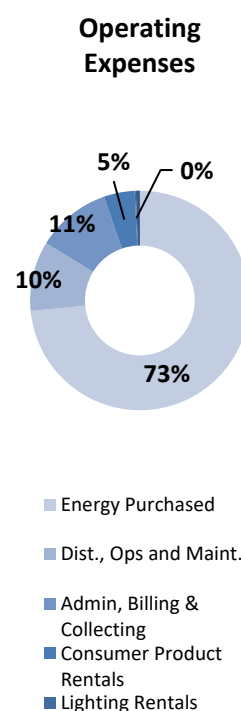
Other Revenues (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$908	Continued growth of the mini-split heat pump rental program and modest rate increases in September of 2022 and 2023 led to the increase in other revenues compared to the prior year.

Year-over-year Results – Expenses

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

Expenses

Expenses (in thousands)	2023	2022
Energy Purchased:		
NB Power	\$88,320	\$90,873
Burchill Wind	3,151	-
Embedded Generation	44	69
Total Energy Purchased	\$91,515	\$90,942
Percent Increase (decrease) Year-over-year	0.6%	3.9%
GWh	911	918
Percent Increase (decrease) Year-over-year	(0.8)%	2.0%
Operating Expenses:		
Distribution, Operations, and Maintenance	\$12,795	\$12,118
Administration, Billing and Collection	13,662	12,577
Consumer Product Rentals	5,661	4,696
Lighting Rental	214	199
Total Operating Expenses	\$32,332	\$29,589
Net Financing Costs	\$735	\$64
Total Expenses	\$124,582	\$120,596
Operating Expenses by Expense Class:		
Salaries, Wages and Benefits	\$13,697	\$14,972
Depreciation and Gain/Loss on Disposal	8,418	6,076
Taxes	1,700	1,685
Contractors	4,108	2,900
Equipment and Materials	888	835
Other	3,521	3,120
Total Operating Expenses	\$32,332	\$29,589



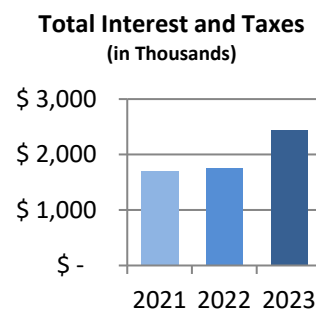
Major contributors to the year-over-year variance in power purchases are as follows:

Energy Purchases (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$573	The increase in the cost of energy purchases was due to an average rate increase of 5.7% in April 2023 on NB Power energy purchases, partially offset by savings from the Burchill Wind energy supply, demand response initiatives and a slight reduction in energy sales volume.

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	\$677	Distribution, operations, and maintenance - Increased depreciation attributable to ongoing capital investments and a write down of the carrying value of legacy metering assets led to the increase compared to the prior year.
Increased	\$1,085	Administrative, billing and collecting - Increased professional services costs related to ongoing corporate initiatives and increased technology costs versus the prior year.
Increased	\$965	Consumer products rental expense - Increased variable costs related to ongoing growth in the heat pump and water heater rental program and a write down of obsolete units.
Decreased	\$15	Lighting rental expense - No significant changes in this area as compared to the prior year.

Interest and Taxes (in thousands)	2023	2022
Interest Revenue	\$(70)	\$(7)
Interest Expense	805	72
Property Tax	622	603
Utility Tax	1,078	1,082
Total interest and taxes	\$2,435	\$ 1,750



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

Expenses (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$706	Net Interest Expense - Interest costs that were being capitalized during the construction of the Burchill Interconnection Line and Paradise Row Substation are now being expensed due to the projects moving out of the construction stage.
Increased	\$7	Property/Utility Tax - No significant changes compared to prior year.

Year-over-year Results – Cash Flows

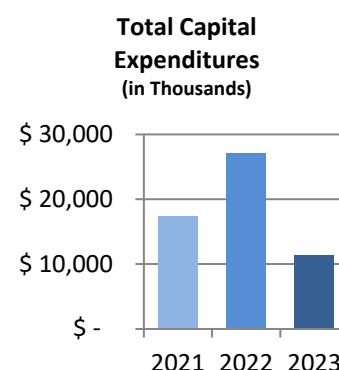
The following is a summary of Saint John Energy’s cash flows for the year with a comparison to the previous year’s results:

Cash Flows (in thousands)	2023	2022	
Cash Provided by Operating Activities	\$11,415	\$11,079	<p>Change in Cash (in Thousands)</p>
Cash Used in Financing Activities	(2,480)	(2,480)	
Cash Used in Investing Activities	(11,952)	(27,125)	
Increase (Decrease) in Cash	(3,017)	(18,526)	

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

Cash Flow Items (in thousands)	Amount	Reason for variance
Contributing factors		
Increasing cash	\$11,415	Cash Flows from Operating Activities - The net cash earnings generated by Saint John Energy's operations offset by changes in non-cash working capital items.
Decreasing cash	\$(11,952)	Cash Flows from Investing Activities - Cash flows used in the purchase of long-term assets and equipment.
Decreasing cash	\$(2,480)	Cash Flows from Financing Activities - Cash flows resulting from borrowing and repayment activities with external parties.

Capital & Intangible Asset Expenditures (in thousands)	2023	2022
Land and Building	\$3,216	\$145
Distribution System	27,477	5,021
Consumer Products	5,619	7,563
Other Fixed Assets	1,374	1,477
Construction in Progress	(26,178)	12,246
Intangible Assets	(136)	653
Total capital expenditures	\$11,373	\$27,106



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

Capital Expenditures (in thousands)	Amount	Reason for variance
Contributing factors		
Increased	\$3,071	Land and Building - Increases due to Burchill and Paradise Row substation buildings.
Increased	\$22,456	Distribution System - Increased due to the capitalization of the Burchill Interconnection Line and Paradise Row Substation projects.
Decreased	\$(38,424)	Construction in Progress - Decrease mainly due to moving the Burchill Interconnection Line and Paradise Row Substation projects from work-in-progress to in-service.
Decreased	\$(1,944)	Consumer Products - Fewer purchases and installations of water heater rental units.

Financial statements of Power Commission of the City of Saint John

December 31, 2023

Independent Auditor’s Report	1-2
Statement of financial position	3
Statement of comprehensive income	4
Statement of cash flows	5
Notes to the financial statements	6-25

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Power Commission of the City of Saint John (the "Commission"), which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive income and cash flows for the year then ended, and notes to the financial statements, including a summary of material 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, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte LLP

Chartered Professional Accountants
May 7, 2024
Saint John, New Brunswick

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


As at December 31, 2023
(In thousands of dollars)

	Notes	2023 \$	2022 \$
Assets			
Current assets			
Accounts receivable	5 and 16(b)	10,888	9,765
Unbilled revenue		7,561	6,798
Prepaid expenses		1,546	1,007
		19,995	17,570
Non-current assets			
Loans receivable		27	26
Property, plant and equipment	6	138,563	135,224
Intangible assets	7	794	1,335
Total assets		159,379	154,155
Liabilities			
Current liabilities			
Bank indebtedness		12,696	9,679
Payable to NB Power		9,165	9,733
Accounts payable and accrued liabilities	8	6,585	7,472
Harmonized sales tax payable		353	194
Customer deposits		1,319	1,337
Current portion of due to City of Saint John	9	2,500	2,500
		32,618	30,915
Non-current liabilities			
Due to City of Saint John	9	14,860	17,340
Deferred revenue		2,742	2,416
Post-employment benefits	10	21,042	21,104
Total liabilities		71,262	71,775
Commitments and contingencies	15		
Regulatory balances	11	88,117	82,380
		159,379	154,155

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

Approved by the Board

 _____, Chairperson

 _____, Vice-Chairperson

Power Commission of the City of Saint John
Statement of comprehensive income
Year ended December 31, 2023
(In thousands of dollars)

	Notes	2023 \$	2022 \$
Electrical operations			
Revenue		116,341	111,703
Energy purchased		91,515	90,942
		24,826	20,761
Other income			
Consumer product rentals		9,458	8,353
Lighting rentals		1,450	1,388
Other	12	2,470	2,729
		38,204	33,231
Operating expenses			
Administration, billing and collection		13,662	12,577
Distribution, operations and maintenance		12,795	12,118
Consumer product rentals		5,661	4,696
Lighting rentals		214	199
Income from operations		5,872	3,641
Finance income	14	70	7
Finance costs	14	(805)	(72)
Net income		5,137	3,576
Movement in regulatory balances	11	(5,137)	(3,576)
Net income after movement in regulatory balances		—	—
Other comprehensive income			
Items that will not be reclassified to net income			
Actuarial gain on post-employment benefits	10(d)	600	18,006
Movement in regulatory balances	11	(600)	(18,006)
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, 2023

(In thousands of dollars)

	Notes	2023 \$	2022 \$
Operating activities			
Net income		5,137	3,576
Adjustments for			
Depreciation of property, plant and equipment		7,488	5,483
Amortization of intangible assets		405	500
Amortization of deferred revenue		(76)	(65)
Loss on disposal of property, plant and equipment		525	93
Post-employment benefits		538	1,764
Contributions received		402	423
Net finance expense		735	65
		15,154	11,839
Change in non-cash operating working capital			
Accounts receivable		(1,123)	(471)
Unbilled revenue		(763)	(214)
Harmonized sales tax payable		159	206
Prepaid expenses		(539)	(175)
Payable to NB Power		(568)	(344)
Accounts payable and accrued liabilities		(887)	279
Customer deposits		(18)	(40)
		(3,739)	(759)
Net cash from operating activities		11,415	11,080
Financing activity			
Repayment of due to City of Saint John	15	(2,480)	(2,480)
Investing activities			
Loans receivable		(1)	8
Purchase of property, plant and equipment		(13,136)	(29,991)
Proceeds on disposal for property, plant and equipment		157	39
Government assistance		1,627	3,536
Purchase of intangible assets		136	(653)
Net finance costs		(735)	(65)
Net cash used by investing activities		(11,952)	(27,126)
Increase in bank indebtedness		(3,017)	(18,526)
Bank indebtedness, beginning of year		(9,679)	8,847
Bank indebtedness, end of year		(12,696)	(9,679)

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

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2023
(In thousands of dollars)

1. Reporting entity

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

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

2. Basis of presentation

(a) Statement of compliance

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

The financial statements were approved by the Board of Commissioners on April 25, 2024.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of judgments and estimates

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

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

(i) Assumptions about judgements

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

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

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2023

(In thousands of dollars)

2. Basis of presentation (continued)

(d) Use of judgments and estimates (continued)

(ii) Assumptions and estimations uncertainty

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

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

(e) Rate regulation and regulatory balances

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

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

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

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

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

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

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2023
(In thousands of dollars)

3. Material accounting policies

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

(a) *Financial instruments*

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

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

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

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

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

(b) *Property, plant and equipment*

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

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

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

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

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

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

3. Material accounting policies (continued)

(b) Property, plant and equipment (continued)

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

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

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

The estimated useful lives are as follows:

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

(c) Intangible assets

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

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

Computer software	3 - 10 years
-------------------	--------------

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

3. Material accounting policies (continued)

(d) Impairment

(i) Financial assets

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

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

(ii) Non-financial assets

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

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

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

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

(e) Customer deposits

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

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

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2023

(In thousands of dollars)

3. Material accounting policies (continued)

(f) Provisions

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

(g) Post-employment benefits

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

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

(i) Pension

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

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

(ii) Other supplemental benefits

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

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

(h) Revenue recognition

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

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2023

(In thousands of dollars)

3. Material accounting policies (continued)

(h) Revenue recognition (continued)

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

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

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

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

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

(i) Leases

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

As a lessee

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

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

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

3. Material accounting policies (continued)

(i) Leases (continued)

As a lessor

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

(j) Government assistance

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

(k) Finance income and finance costs

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

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

(l) Taxes

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

4. Current and future changes in accounting standards

(i) IAS 1 – presentation of financial statements– disclosure of accounting policies (amendments to IAS 1)

The IASB issued amendments to IAS 1, which change the requirements with regard to the disclosure of accounting policies. The amendments replace 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. The application of these amendments did not have a material impact on the Commission's financial statements.

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

4. Current and future changes in accounting standards (continued)

(ii) *IAS 8 – accounting policies, changes in accounting estimates and errors – definition of accounting estimates (amendments to IAS 8)*

The IASB issued amendments to IAS 8 to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The application of these amendments did not have a material impact on the Commission’s financial statements.

(iii) *IAS 1 – presentation of financial statements – classification of liabilities as current or non-current (amendments to IAS 1)*

The IASB issued amendments to IAS 1 to promote consistency in applying the requirements by helping companies determine whether, in the Statement of Financial Position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The classification is based on rights that are in existence at the end of the reporting period and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments are applied retrospectively upon adoption. These amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted. The application of these amendments is not expected to have a material impact on the Commission’s Financial statements.

5. Accounts receivable

	2023	2022
	\$	\$
Customer accounts	10,012	8,837
Sundry	950	976
	10,962	9,813
Less provision for impairment	(74)	(48)
	10,888	9,765

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

6. Property, plant and equipment

	Land and administration building \$	Distribution system \$	Consumer products \$	Other fixed assets \$	Construction in progress \$	Total \$
Cost or deemed cost						
Balance at January 1, 2023	15,876	68,407	43,956	11,971	27,706	167,916
Additions	—	—	—	4,386	7,123	11,509
Transfers	3,216	27,477	5,619	(3,012)	(33,301)	(1)
Disposals/retirements	—	(159)	(974)	—	—	(1,133)
Balance at December 31, 2023	19,092	95,725	48,601	13,345	1,528	178,291
Balance at January 1, 2022	15,731	63,500	36,444	10,544	15,458	141,677
Additions	—	15	1,296	4,111	21,033	26,455
Transfers	145	5,006	6,266	(2,632)	(8,785)	—
Disposals/retirements	—	(114)	(50)	(52)	—	(216)
Balance at December 31, 2022	15,876	68,407	43,956	11,971	27,706	167,916
Accumulated depreciation						
Balance at January 1, 2023	3,766	13,542	11,768	3,616	—	32,692
Depreciation	422	3,409	3,026	630	—	7,487
Disposals/retirements	—	(63)	(387)	(1)	—	(451)
Balance at December 31, 2023	4,188	16,888	14,407	4,245	—	39,728
Balance at January 1, 2022	3,367	11,659	9,129	3,138	—	27,293
Depreciation	399	1,918	2,650	518	—	5,485
Disposals/retirements	—	(35)	(11)	(40)	—	(86)
Balance at December 31, 2022	3,766	13,542	11,768	3,616	—	32,692
Carrying amounts						
At December 31, 2023	14,904	78,837	34,194	9,100	1,528	138,563
At December 31, 2022	12,110	54,865	32,188	8,355	27,706	135,224

The Commission has applied \$1,627 (\$3,536 in 2022) of government assistance against the additions of property, plant and equipment. At December 31, 2023 \$1,119 (\$3,346 in 2022) of the additions were unpaid and are recorded in accounts payable and accrued liabilities.

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

7. Intangible assets

	Computer software
	\$
Cost or deemed cost	
Balance at January 1, 2023	3,878
Additions	(136)
Balance at December 31, 2023	3,742
Balance at January 1, 2022	3,225
Additions	653
Balance at December 31, 2022	3,878
Accumulated amortization	
Balance at January 1, 2023	2,543
Depreciation	405
Balance at December 31, 2023	2,948
Balance at January 1, 2022	2,043
Depreciation	500
Balance at December 31, 2022	2,543
Carrying amounts	
At December 31, 2023	794
At December 31, 2022	1,335

8. Accounts payable and accrued liabilities

	2023	2022
	\$	\$
Accounts payable	4,192	4,062
Payroll	463	467
Other	1,930	2,943
	6,585	7,472

9. Due to City of Saint John

	2023	2022
	\$	\$
Term loan, amortized over 10 years, unsecured, bearing annual interest rates between 1.15% and 1.80% and maturing November 26, 2030	17,500	20,000
Less unamortized financing costs	140	160
Less Current portion of due to City of Saint John	2,500	2,500
	14,860	17,340

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

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

9. Due to City of Saint John (continued)

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2023 are approximately as follows:

	\$
2024	2,500
2025	2,500
2026	2,500
2027	2,500
2028	2,500

Interest capitalized in 2023 was nil (\$276 in 2022).

10. Post-employment benefits

(a) Saint John Energy Shared Risk Plan

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

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

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

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

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

No triggering event occurred in 2023. The Commission expects to pay \$1,888 in contributions to the SJE SRP in 2024. The December 31, 2023 actuarial valuation was extrapolated using the results from the January 1, 2023 actuarial valuation.

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

10. Post-employment benefits (continued)

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

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

(b) *Other supplemental benefits*

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

The Commission expects to pay \$379 in contributions to the other supplemental benefits in 2023. The December 31, 2023 actuarial valuation was extrapolated using the results from the January 1, 2023 actuarial valuation.

(c) *Reconciliation of post-employment benefits*

	2023 \$	2022 \$
Opening SJE SRP benefit obligation	(87,575)	(105,562)
Current service	(884)	(1,702)
Interest cost	(4,408)	(3,237)
Actuarial gain	(1,361)	19,823
Employee contributions	(920)	(831)
Benefit payments	4,185	3,933
Closing SJE SRP benefit obligation	(90,963)	(87,576)
Opening fair value of plan assets	78,081	85,332
Employer contributions	1,790	1,615
Employee contributions	920	831
Expected return on plan assets	3,906	2,580
Actuarial (loss) gain	2,956	(8,155)
Benefits paid	(4,185)	(3,933)
Administrative expenses	(387)	(190)
Closing fair value of plan assets	83,081	78,080
SJE SRP deficit	(7,882)	(9,496)
Opening other post-employment benefit obligation	(11,608)	(17,116)
Current service	(348)	(671)
Interest cost	(557)	(536)
Actuarial gain	(995)	6,337
Benefit payments	348	378
Closing other post-employment benefit obligation	(13,160)	(11,608)
Total post-employment benefits obligations	(21,042)	(21,104)

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

10. Post-employment benefits (continued)

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

	2023	2022
	\$	\$
Actuarial gain (loss) arising from SJE SRP		
Financial assumptions	(1,361)	19,823
Asset returns in excess of (short of) expectations	2,956	(8,155)
	1,595	11,668
Other post-employment benefits		
Financial assumptions	(995)	6,338
Actuarial gain included in other comprehensive income	600	18,006

(e) *Included in net income*

	SJE SRP	Other Post-employment benefit	2023	2022
	\$	\$	\$	\$
Current and past service	884	348	1,232	2,373
Interest cost	4,408	557	4,965	3,773
Expected return on plan assets	(3,906)	—	(3,906)	(2,580)
Administrative expenses	387	—	387	190
	1,773	905	2,678	3,756

(f) *Key actuarial assumptions*

	2023	2022
	\$	\$
Discount rate for SJE SRP	4.60%	5.05%
Discount rate for other post-employment benefits	4.60%	5.05%
Salary levels	7.50%	3.50%
Long-term health care cost inflation		
Drugs, extended health and travel	5.46%	5.57%
Hospital and dental	4.30%	4.34%
Inflation	2.00%	2.00%
Cost of living for SJE SRP	1.29%	5.96%

The weighted average duration of the post-employment benefit obligations is 17 years.

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(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 \$7,337
- a 0.50% decrease in the assumed discount rate would result in the post-employment benefits obligation increasing by \$8288
- a 1% increase in the assumed health care cost trend would result in the post-employment benefit obligation increasing by \$2,334
- a 1% decrease in the assumed health care cost trend would result in the post-employment benefit obligation decreasing by \$1,769
- a 0.50% increase in the assumed cost of living adjustments trend would result in the post-employment benefit obligation increasing by \$7,416; and
- a 0.50% decrease in the assumed cost of living adjustment would result in the post-employment benefit obligation decreasing by \$6,260.

(h) SJE SRP assets

SJE SRP assets comprise the following:

	2023	2022
	\$	\$
Cash	3,608	3,013
Pooled funds	63,006	59,067
Real estate and infrastructure fund	16,467	16,000
	83,081	78,080

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

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

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

11. Regulatory balances

	January 1, 2023	Additions	Reversals	December 31, 2023
	\$	\$	\$	\$
Capital reserve regulatory liabilities	56,092	5,137	—	61,229
Accumulated actuarial gain on post-employment benefits	26,288	600	—	26,888
Ending balance	82,380	5,737	—	88,117

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

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

	2023	2022
	\$	\$
Rendering of services	1,646	2,207
Sale of renewable energy certificates	326	—
Customer delinquency charges	275	223
Other	90	47
Revenue recognized from customer contributions	76	65
Sale of miscellaneous goods	57	187
	2,470	2,729

13. Employee salaries and benefits

	2023	2022
	\$	\$
Salaries, wages and benefits	11,548	12,324
SJE SRP (Note 10(e))	1,773	2,549
Other post-employment benefits (Note 10(e))	942	1,209
CPP and EI remittances	560	562
	14,823	16,644

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2023

(In thousands of dollars)

13. Employee salaries and benefits (continued)

Employee salaries and benefits have been allocated as follows:

	2023	2022
	\$	\$
Administration, billing and collection	6,838	6,824
Distribution, operations and maintenance	5,496	6,610
Consumer product rentals	1,323	1,451
Capitalized into property, plant and equipment	1,126	1,673
Lighting rentals	40	86
	14,823	16,644

14. Finance income and costs

	2023	2022
	\$	\$
Finance income		
Interest income on bank deposits	50	—
Other	20	7
	70	7
Finance costs		
Interest fees on bank indebtedness	502	—
Interest fees on City of Saint John loan	261	—
Bank fees	24	22
Other	18	50
	805	72
Net finance expense recognized in net income	735	65

15. Commitments and contingencies

Contractual obligations

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

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

Power Commission of the City of Saint John
Notes to the financial statements

December 31, 2023
(In thousands of dollars)

15. Commitments and contingencies (continued)

General

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

16. Related party transactions

(a) *Controlling party*

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

(b) *Outstanding balances with related parties*

	2023	2022
	\$	\$
Amounts included in accounts receivable		
City	311	289
Related entities controlled by the City	23	35
	334	324

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 \$4,313 (\$4,239 in 2022) and revenue to related entities totaled \$896 (\$845 in 2022). These transactions are recorded at the exchange amount as agreed to by the parties.

(d) *Key management personnel*

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

	2023	2022
	\$	\$
Salaries	831	687
Post-employment benefits	91	133
Other benefits	59	51
Commissioners fees	45	51
	1,026	922

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2023

(In thousands of dollars)

17. Financial instruments and risk management

Fair value disclosure

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

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

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

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

Capital disclosures

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

Financial risks

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

(a) Credit risk

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

The carrying amount of accounts and loans receivable is reduced through the use of an ECL allowance and the amount of the related ECL expense is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the ECL allowance at December 31, 2023 is \$74 (\$48 in 2022). An ECL expense of \$194 (\$187 in 2022) 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, 2023, approximately \$372 (\$385 in 2022) 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 \$57,251 (\$55,016 in 2022), commercial \$58,092 (\$55,940 in 2022), and other \$998 (\$747 in 2022). 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, 2023, the Commission holds security deposits in the amount of \$1,319 (\$1,337 in 2022).

Power Commission of the City of Saint John

Notes to the financial statements

December 31, 2023

(In thousands of dollars)

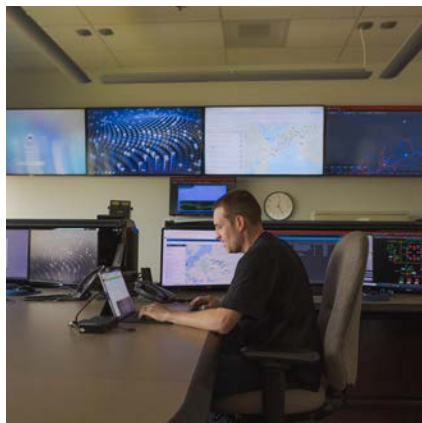
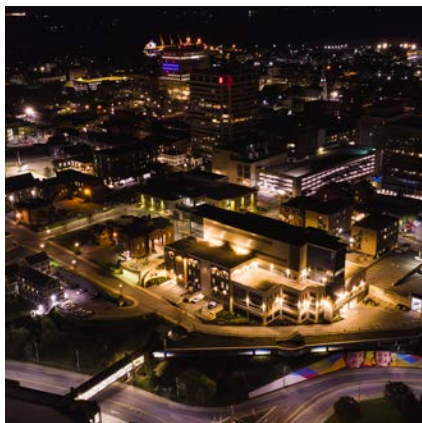
17. Financial instruments and risk management (continued)

Financial risks (continued)

(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 \$25 million credit facility that 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, 2023, \$12,700 (\$9,683 in 2022) 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.



325 SIMMS STREET | SAINT JOHN, NB | E2M 3L6 | CANADA | 1(506)658-5252 | SJENERGY.COM | ZERO30.CA