



To: Mayor and Members of City Council

2024 07 22

From: Matt Carlini

Re: Windsor Canada Utilities Ltd. March 2024 Quarterly Financial Statements

BACKGROUND AND BASIS OF REPORTING

Enclosed are the financial reports for Windsor Canada Utilities Ltd. ("WCU") as at March 31, 2024.

WCU's financial statements are presented in accordance with International Financial Reporting Standards ("IFRS") which is a requirement, as WCU is a publicly accountable entity. WCU is not eligible to use Public Sector Accounting Standards, which is what the Corporation of the City of Windsor uses for external reporting. Within the Windsor Canada Utilities Ltd., consolidated operations are the operations of the local distribution company (ENWIN Utilities Ltd.) and ENWIN Energy Ltd.. The Ontario Energy Board ("OEB") regulates ENWIN Utilities Ltd. ("EWU"), and the regulator requires certain regulatory balances to be recognized and tracked for rate-setting purposes. These rate-setting accounts are considered for regulatory purposes as either regulatory assets or liabilities; however, those accounts are not recognized under IFRS.

In January 2021, the International Accounting Standards Board ("IASB") published the Exposure Draft *Regulatory Assets and Regulatory Liabilities*, which sets out proposals that aim to give investors better information about the financial performance of companies that are subject to rate regulation. The Exposure Draft is still in the consultation and review stages. It is anticipated that EWU will have the ability to recognize regulated assets and liabilities within the IFRS financial statements once this standard is published. The final standard is expected to be issued in 2025 with an effective date of January 1, 2028, however, early adoption may be an option for EWU. Until such time when this new standard is adopted, EWU will maintain

two sets of records to report regulated activities and to fulfil external financial reporting requirements.

DISCUSSION

The objective of this report is to provide quarterly consolidated financial performance updates to the Mayor and members of City Council. Further financial analysis and explanations can be found under the 'Financial Matters' section.

RISK ANALYSIS

The results reported to the City Council are for internal reporting purposes and are intended to provide an update of the company's financial performance relative to budget and prior year. The figures are not audited and do not contain all the note disclosure that would be present in a full audited financial statement.

FINANCIAL MATTERS

Financial Highlights

Overall, the performance of the group was better than budget in the first quarter of the year and is projected to outperform budget. Net Income however is highly sensitive to changes in electricity pricing as well as other regulatory rate adjustments and those are currently increasing reported earnings on an IFRS basis.

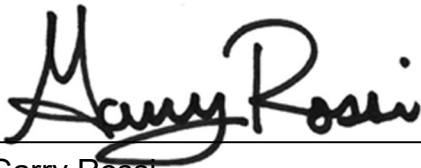
As of the quarter-ended March 31, 2024, WCU is reporting Total Revenue of \$14.0 million, Operating Income of \$6.1 million, and Net Income of \$4.6 million under IFRS. The 2024 forecast shows revenue consistent with budget and operating expenses slightly greater than budget. Finance income and previously anticipated regulatory adjustments are expected to increase overall net income. These regulatory adjustments are often impacted by market conditions, but management will continue to monitor financial performance and liquidity throughout the year.

Liquidity and Financial Strength

As at March 31, 2024, WCU is in a positive cash flow position despite having to settle some regulatory balances. Cash is expected to slowly decrease throughout 2024 because over \$5 million is anticipated to be settled through rate riders, however WCU continues to experience a strong balance sheet and consistent credit profile.



Matt Carlini
Chief Financial Officer



Garry Rossi
President and CEO

encls Appendix A – WCU Q1 2024 Consolidated Financial Review Statements

Appendix A

Windsor Canada Utilities Ltd.

Board Financial Review Statements

March 31, 2024

Unaudited

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Windsor Canada Utilities Ltd.

Consolidated Balance Sheet
(In thousands of Canadian dollars)

March 31, 2024, with comparative information for 2023

	March 2024	March 2023	December 2023
Assets			
Current assets:			
Cash and cash equivalents	\$ 21,909	\$ 17,017	\$ 22,234
Investment	3,584	14,664	3,532
Accounts receivable	49,779	40,441	48,906
Due from related parties	4,141	3,726	5,008
Inventory	8,758	7,046	8,828
Other assets	2,547	3,348	1,787
	90,718	86,242	90,295
Non-current assets:			
Property, plant and equipment	262,437	253,294	261,513
Intangible assets	1,115	1,170	1,228
Investment, sinking fund	17,441	14,365	16,601
Investment in joint venture	180	147	217
Due from related parties - debentures and post-retirement	52,000	52,000	52,000
Deferred income taxes	2,687	2,841	2,677
	335,860	323,817	334,236
Total assets	\$ 426,578	\$ 410,059	\$ 424,531
Liabilities			
Current liabilities:			
Accounts payable and accruals	\$ 25,431	\$ 22,736	\$ 30,123
Payments in lieu of income taxes payable	2,074	1,918	1,080
Due to related parties	10,341	8,834	9,391
Current portion of customer deposits	1,350	1,247	1,107
Deferred revenue	4,117	4,088	4,118
	43,313	38,823	45,819
Non-current liabilities:			
Customer deposits	7,055	6,007	6,170
Deferred revenue - customer contributions	19,266	19,332	19,375
Long-term debt	102,546	102,530	102,542
Employee future benefits	48,500	43,944	48,299
	177,367	171,813	176,386
Total liabilities	220,680	210,636	222,205
Equity			
Common shares	81,842	81,842	81,842
Contributed surplus	516	516	516
Retained earnings	123,543	117,066	119,969
	205,901	199,424	202,327
Total liabilities and equity	\$ 426,578	\$ 410,059	\$ 424,531

Windsor Canada Utilities Ltd.

Consolidated Statement of Income
(In thousands of Canadian dollars)

March 31, 2024, with comparative information for 2023

	YTD - March 31, 2024			YTD - March 31, 2023		2024 Annual		2024
	Actuals	Budget	Variance	Actuals	Variance	Budget	Forecast	
Distribution revenue:								
Residential	\$ 7,342	\$ 7,349	\$ (7)	\$ 6,984	\$ 358	\$ 29,396	\$ 29,389	
General service - small	4,814	4,788	26	4,404	410	19,530	19,556	
General service - large	1,022	1,061	(39)	962	60	4,450	4,367	
Street lighting	449	446	3	426	23	1,784	1,787	
	13,627	13,644	(17)	12,776	851	55,160	55,099	
Net service revenue								
Services provided to WUC	5,151	5,358	(207)	4,991	160	21,434	21,329	
Services provided to City	642	686	(44)	620	22	2,743	2,724	
	5,793	6,044	(251)	5,611	182	24,177	24,053	
Cost of services - MSA	(5,467)	(5,696)	229	(5,282)	(185)	(22,775)	(22,659)	
Cost of services - depreciation - MSA	(200)	(202)	2	(192)	(8)	(809)	(829)	
	126	146	(20)	137	(11)	593	565	
Other income	239	235	4	409	(170)	970	1,081	
Total revenue	13,992	14,025	(33)	13,322	670	56,723	56,745	
Operating expenses:								
Distribution operation and maintenance	3,143	3,188	45	3,693	550	13,266	13,110	
Billing and collection	888	848	(40)	843	(45)	3,441	3,470	
Community relations	59	71	12	58	(1)	307	331	
Administration and general	823	1,078	255	835	12	4,468	4,400	
Property and tools and maintenance	541	509	(32)	550	9	1,977	2,041	
Salaries and benefits	1,902	1,975	73	1,711	(191)	7,331	7,750	
Regulatory	123	142	19	110	(13)	570	551	
Employee future benefits	449	459	10	451	2	1,834	1,826	
	7,928	8,270	342	8,251	323	33,194	33,479	
Operating income / EBITDA	6,064	5,755	309	5,071	993	23,529	23,266	
Other income/expenses:								
Share of joint venture's net loss (gain)	37	2	(35)	11	(26)	9	13	
Depreciation and amortization	1,812	1,901	89	1,942	130	7,605	7,360	
Net finance expense	(885)	243	1,128	(678)	207	978	(270)	
Loss (gain) on sale of PP&E	72	-	(72)	1	(71)	-	72	
	1,036	2,146	1,110	1,276	240	8,592	7,175	
Income before tax	5,028	3,609	1,419	3,795	1,233	14,937	16,091	
Provision for PILs of corporate taxes	1,613	1,024	(589)	1,239	(374)	4,229	4,659	
Deferred income taxes	(10)	-	10	-	10	18	(4)	
	1,603	1,024	(579)	1,239	(364)	4,247	4,655	
Net income - MIFRS	3,425	2,585	840	2,556	869	10,690	11,436	
Regulatory adjustment (IFRS)	1,150	801	349	(3,005)	4,155	3,202	3,551	
Net income (loss) - IFRS	4,575	3,386	1,189	(449)	5,024	13,892	14,987	

Windsor Canada Utilities Ltd.

Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)

March 31, 2024, with comparative information for 2023

	March 2024	March 2023	December 2023	Forecast 2024
Cash flows from operating activities:				
Total IFRS net income (loss) for the year	\$ 4,575	\$ (449)	\$ 5,454	\$ 14,988
Adjustments for:				
Depreciation and amortization	3,080	2,949	11,971	12,578
Amortization of deferred revenue customer contribution	(140)	(136)	(549)	(575)
Remeasurement of employee future benefits	-	-	3,651	-
Loss (gain) on investment	(892)	(867)	(2,431)	(958)
Loss (gain) on sale of property, plant and equipment	72	1	1,507	(142)
Amortization of debt issuance costs	4	4	16	16
Share in joint venture's net loss	37	11	41	13
Net finance expense	(876)	(614)	(1,026)	(171)
Income tax expense	1,613	1,239	1,721	5,939
	7,473	2,138	20,355	31,688
Changes in:				
Accounts receivable	(869)	5,541	(2,924)	(967)
Due from related parties	866	(76)	(1,358)	941
Inventory	69	(607)	(2,389)	69
Other assets	(762)	(1,094)	462	(777)
Deferred income taxes	(10)	-	164	(4)
Accounts payable and accruals	(4,693)	(5,231)	2,157	(4,918)
PIL of income taxes	(301)	-	(588)	(6,365)
Due to related parties	950	983	1,540	(1,769)
Deferred revenue	-	-	29	(4,118)
Customer deposits	1,128	704	727	1,128
Employee future benefits	201	215	920	1,126
	(3,421)	435	(1,260)	(15,654)
Interest paid	(1,116)	(1,111)	(4,721)	(5,071)
Interest received	1,992	1,725	5,747	5,243
Income taxes paid	(319)	(534)	(1,266)	(1,300)
	4,609	2,653	18,855	14,906
Cash flows from investing activities:				
Acquisition of PP&E and intangible assets	(4,091)	(3,277)	(22,937)	(24,339)
Acquisition of investments	-	-	(1,200)	(1,200)
Investment in joint venture	-	-	(100)	-
Deferred revenue - customer contributions	30	181	690	3,109
Proceeds from investments	-	-	11,661	-
Proceeds on sale of PP&E	127	62	867	127
	(3,934)	(3,034)	(11,019)	(22,303)
Cash flows from financing activities:				
Decrease in due from related parties	-	-	-	(937)
Dividends paid	(1,000)	(1,000)	(4,000)	(4,000)
	(1,000)	(1,000)	(4,000)	(4,937)
Net increase (decrease) in cash and cash equivalents	(325)	(1,381)	3,836	(12,334)
Cash and cash equivalents, beginning of period	22,234	18,398	18,398	22,234
Cash and cash equivalents, end of period	\$ 21,909	\$ 17,017	\$ 22,234	\$ 9,900