

2024

Annual General

Meeting

April 9, 2024



Tomahawk
Rural Electrification Association



Tomahawk REA Annual General Meeting Rules **April 9, 2024**

- 1)** Meeting rules and procedures shall comply with all legislative and bylaw requirements. The meeting is closed to all but members and invited guests.
- 2)** A quorum must be reached for the AGM to proceed to any matter of business.
Quorum (RUR s3 6)
 - 6(1)** Subject to subsection (2), at a meeting of the association, not less than 10% of the members of the association constitutes a quorum.
 - (2)** If the association has a membership of more than 500 members, not fewer than 50 members constitute a quorum at a meeting of the association.
 - (3)** If at the time appointed for any general meeting of the association a quorum is not present,
 - (a) in the case of a meeting called by members, the meeting is dissolved, and
 - (b) in the case of a meeting called other than by members, the chairman of the meeting may call for a resolution to the effect that those present at that time constitute a quorum and be empowered to transact the business to be brought before the meeting.
 - (4)** If the resolution referred to in subsection (3)(b) is passed by a majority vote of members present and recorded in the minutes, the meeting may then proceed, and those members present constitute a quorum.
- 3)** Only a Tomahawk REA member is entitled to make motions, speak in a debate, or vote, at the AGM.
- 4)** No member may vote by proxy, however, a person holding the enduring power of attorney of a member may exercise a member's vote at the AGM.
- 5)** A member wishing to speak at the AGM must attend at a microphone and wait to be recognized. On receiving recognition, the member must first identify themselves by name.
- 6)** A main motion, or a motion to amend, postpone, refer, close debate, or lay on the table, may be made at the AGM. Other motions may also be offered that are recognized as existing general parliamentary procedures.
- 7)** A member is entitled to speak twice on a motion but for no longer than 2 minutes. The motion maker may speak first if the motion maker prefers.
- 8)** At a general meeting of the association, a majority vote of the members, casting votes, may decide all questions, except when an extraordinary resolution is required.
- 9)** The debate must be relevant to the pending motion. Voting will be by a show of hands with vote cards, standing or as otherwise permitted.
- 10)** All persons in attendance at the AGM must observe decorum, and avoid personal attacks, or disorderly or discourteous behaviour. Any person causing a disturbance at the meeting will be asked to leave and will be permitted escort from the meeting if required.
- 11)** The AGM will begin and end as provided for in the announcements of the meeting.
- 12)** Robert's Rules of Order (RONR -11th ed.) shall be a source of reference and guide in matters of procedure at the AGM.



Tomahawk

Rural Electrification Association

Tomahawk REA Annual General Meeting (AGM)

Tuesday, April 9, 2024

Tomahawk and District Sports Agra Society, Tomahawk, Alberta

Registration: 5:00 p.m. – 6:00 p.m.

Meeting: 6:00 p.m. – 8:00 p.m.

Welcome/Introduction
Call to Order
Announcement of Quorum

6:00-6:05	1	Approval of AGM Rules
6:05-6:10	2	Approval of Agenda
6:10-6:15	3	Approval of Minutes – 2023 AGM (Annual General Meeting) Approval of Minutes – 2023 SGM (Special General Meeting)
6:15-6:30	4	Nominations for Directors and Approval of Election Personnel
6:30-6:50	5	Reports <ul style="list-style-type: none">• Board Report – Trent Myck• Update on Progress of Sale – Dave Hunka (Fortis)• Financial and Audit – Dominik Gaciag
6:50-6:55	6	Appointment of Auditor for 2024
6:55-7:05	7	Election of Directors <ul style="list-style-type: none">• Presentations• Ballot Vote
7:05-7:10	8	New Business
7:10-7:20	9	Other Announcements
7:20-7:30	10	Announcement of Vote Result
7:30-7:35	12	Motion to destroy ballots (after 90 days)
8:00 (rounded up)	13	Adjournment



Tomahawk Rural Electrification Association
Annual General Meeting – April 18, 2023
Tomahawk and District Sports Agra Society – Tomahawk, Alberta

Meeting Minutes

Trent Myck, Chairperson of the Tomahawk REA Board called the meeting to order at 6:30 p.m. and welcomed all in attendance to the 70th year of TREA.

The following Board members were present: Trent Myck, Cheryl Thomas, Ed Machuk, Cindy Iverson, Terry Hutchinson, Sherry Buttrey and Edward Lang.

Guests:

AFREA – Al Nagel, Dan Aster

BRPC – Bill Klassen, Curtis Baumann, Mitch Stevenson, Kevin Szelewicki

Dominik Gaciag – MPS Partners (Financial Report)

Drayton Valley REA – Arnold Olson, Bill Turtiak, Dan Davie, Darwin Mulroy, Shane Hines,

Duffield REA – Albert Wagner, Barry Vanderwall, Stephen Jettkant

Lakeland REA – Darryl Werstiuk, Bernie Klammer, Dwayne Kisilevich

Lindale REA – Dino Wylie, Rick Ennis

Meeting Personnel:

Nolan Crouse, Presiding Officer

Reanne Springer, Chief Election Official

Linda Kuprys, Recording Secretary

Melanie deJong, TREA Administration

Garry Mastre, Meeting Recording

Len Legeas, Registration/Election Clerk

Denise Legeas, Registration/Election Clerk

Barry Vanderwell, Registration/Election Clerk

Lindsey Simpson, Registration/Election Clerk

Stephen Jettkant, Registration/Election Clerk

Albert Wagner, Registration/Election Clerk

Trent Myck introduced Nolan Crouse as the presiding officer and Mr. Crouse then assumed the role of Chair.

1. Establishing Quorum

Quorum of 10% was established as there were 69 members in good standing present. In accordance with TREA's Annual General Meeting Rules, the following motion was presented.

Moved by Garry Weis, seconded by Cheryl Thomas

That those present constitute a quorum and be empowered to transact the business to be brought before the meeting.

CARRIED

2. Approval of AGM Rules

Moved by Wade Thomas, seconded by Trent Myck

That the AGM Rules be approved as presented.

CARRIED

3. Approval of Agenda

Moved by Cheryl Thomas, seconded by Trent Myck

That the agenda be approved as presented.

Moved by Barb Bundt, seconded by Bob Hiew

That the agenda be amended by adding "Definitions" as an item under New Business.

CARRIED

The main motion was presented again:

Moved by Cheryl Thomas, seconded by Trent Myck

That the agenda, as amended, be approved.

CARRIED

4. Approval of Minutes – 2022 AGM and 2022 SGM

Moved by Trent Myck, seconded by Garry Weis

That the minutes of the 2022 AGM be approved.

Barb Bunt, referring to the 4th paragraph under Finance and Audit on Page 5, asked if asset disposal was for the New Star service. The Chair said subject to a review of the recording, the minutes would be corrected. [*The recording was subsequently checked and the minutes would be corrected as noted in the following motion.*]

The motion was presented again:

Moved by Trent Myck, seconded by Garry Weis

That the minutes of the 2022 AGM, be amended in Paragraph 4 under Finance and Audit on Page 5 by deleting the words “new distribution system with Fortis” and inserting the words “sale of the New Star distribution system for Fortis” be approved.

CARRIED

Moved by Bob Hiew, seconded by Sherry Buttrey

That the minutes of the 2022 SGM be approved

CARRIED

5. Nominations for Directors and Approval of Election Personnel

The Chair introduced Reanne Springer as Chief Election Official who would be administering the election. The Election Clerks were Len Legeas, Denise Legeas, Barry Vanderwell, Lindsey Simpson, Stephen Jettkant, and Albert Wagner.

Moved by Cheryl Thomas, seconded by Sherry Buttrey

That the Election personnel be approved.

CARRIED

The Chair declared nominations open and called for nominations for the vacant Director positions.

Clint Schwalbe nominated Sheldon Balkwill
Sherry Buttrey nominated Cindy Iverson.
Cindy Iverson nominated Sherry Buttrey.
Cheryl Thomas nominated Edward Machuk .

Responding to the Chair’s question, none of the nominees wished to withdraw their nomination.

The Chair issued a second call for nominations.

The Chair issued a third call for nominations.

No further nominations were made.

Moved by Tom Orchard, seconded by Bob Hiew

That the nominations be closed.

CARRIED

Reanne Springer explained the voting process and that voting would take place later in the meeting.

6. Reports

- Director's Report

Trent Myck, on behalf of the Board, provided a report to the membership.

Clint Schwalbe asked if the Board requested the latest offer and the percentage of increase or decrease from the previous one. He suggested that the Board look at entities other than Fortis and possibly join with other REAs to obtain offers.

Mr. Myck stated that Fortis approached the Board with the offer but he was unable to discuss the details because of ongoing negotiations.

Questions from Leah Wood:

- Was the \$103,000 paid out for wildfire covered by insurance and would future disasters be covered by insurance?
- Could historical information about annual shortfall amounts be provided?

Mr. Myck stated:

- Insurance cannot be obtained for wildfire or other similar disasters.
- He only knew of the shortfalls since 2015 but would look into gathering the historical information on shortfalls as requested.

Wayne Tourneur wanted to make a motion regarding sale options. The Chair ruled the motion was germane to the discussion of the Director's report and that it would be best to bring the motion forward under New Business.

Alton Wood asked why spraying isn't used instead of brushing down to the dirt which only results in the growth of weeds and willows.

Mr. Myck stated that, starting this year, spraying would be used where brushing takes place.

- Operations Report – Curtis Baumann (Battle River Power Coop)

Curtis Baumann provided a report on their operations in 2022.

Cindy Iverson referred to the approximate 280 pre-1960 poles and asked Mr. Baumann for his recommendation how to catch up on replacing them before replacement becomes more costly.

Mr. Baumann said that Battle River has a "400-pole program" and tries to be proactive about replacing them. It would be up to the Tomahawk Board to choose the appropriate number of poles to replace each year.

- Vegetation Report – Mitch Stevenson (Battle River Power Coop)

Mitch Stevenson provided an overview of the vegetation program, its performance and the volume of work completed in the past year. He added that there is a restriction on spraying tall trees. Tall trees must be cut, and when vegetation grows back, herbicide would be applied.

Barb Bundt asked about A-base breakers and if there was any danger to landowners if they touched the transformers.

Curtis Baumann stated that these old Pioneer A-base breakers were no longer available and he didn't think there was any danger to landowners.

Information received by the Board from Mr. Baumann regarding any danger of A-base breakers to landowners would be forwarded to the membership.

- Finance and Audit – Dominik Gaciag

Dominik Gaciag provided a report on the 2022 financial statements.

Wendy Hiew's comments and questions:

- The cash decrease by \$500,000 over the last two years is alarming. What is your professional opinion about the health of the REA?
- \$367,000 was pulled from restricted cash this year. Was there anything in the budget to increase the remaining amount?

Mr. Gaciag stated that, considering cash flows and operating activities, he thought the REA was fairly healthy and could withstand shortfalls for the next few years.

Trent Mick stated that the REA could manage the costs.

Barb Bundt:

- Why is amortization showing up as a cash flow issue and how amortization of capital contributions is cash in the bank.
- Why isn't the balance of the reserve the same as last year.

Mr. Gaciag:

- Amortization on capital contributions is considered income. No cash is received but the amount is included in the income statement.
- There were timing issues. Payments that have not been received before the fiscal year end are included as accounts receivable and considered as cash.

Moved by Cindy Iverson, seconded by Trent Myck

That the 2022 financial and audit reports be approved as presented.

CARRIED UNANIMOUSLY

- Bill Klassen – Battle River Power Coop

Bill Klassen's presentation focussed mainly on the costs experienced by the membership in 2022 in the context of their monthly bills. He also reviewed the different rates and cases with regard to current and potential energy charges.

Questions and comments:

- Bill Turner: What is Battle River's position on rates coming down?
- Barb Bundt requested that reports be provided to the membership in advance of AGM meetings.
- Cindy Iverson: In light of affordability of increased brushing costs that could push TREAs brushing cycle into the future, what is your opinion about doing so?

Mr. Klassen stated:

- The distribution tariff has been pushed down and has caused a problem in the past.
- His REA's brushing cycle was according to the best practice standard of every five years and the associated expenditure results in savings up to 40%. Past decisions have put Tomahawk in a position of falling behind but there was opportunity to improve. He said Tomahawk was at the bottom of distribution tariffs and there was a lot of room to move. He emphasized that there are costs to doing the work right or partially but if costs are increased now, benefits would be seen later.

- Al Nagel – AFREA

Al Nagel talked about the mandate of the AFREA and reported on its current projects and work with organizations and committees. He also talked about the volatility of the electricity industry and zero concept. He said changes would happen gradually and REAs have time to prepare for them.

Barb Bundt stated that when she asked AFREA a few years ago for information, she was told information would be provided to the Board and the Board would decide what information would be disseminated.

Mr. Nagel's comments confirmed that the process described by Ms. Bundt was correct.

7. Appointment of Auditor for 2023

Moved by Trent Myck, seconded by Cheryl Thomas

That MPS Partners be appointed as TREA's Auditor for 2023.

CARRIED

8. Election of Directors

Reanne Springer advised the nominees that they would have three minutes to address the membership and they did so in the following order: Sheldon Balkwill, Cindy Iverson, Sherry Buttrey and Ed Machuk.

After the nominees finished speaking, Ms. Springer announced 30 minutes would be allowed for voting. Voting commenced at 8:40 p.m. and the Chair declared voting closed at 9:10 p.m.

9. New Business

9.a Definitions

Moved by Barb Bundt, seconded by Brenda Cathrea

That the Board of Directors formulate a schedule of definitions and penalties supplemental to the Supplemental Bylaws as well as Standard Bylaws.

CARRIED

9.b Business Arising from the Director's Report

Moved by Wayne Tourneur, seconded by Clint Schwalbe

That the Board be directed to seek legal information pertaining to the exploration of options for the sale of the REA and report to the membership.

CARRIED

10. Announcements

There were no announcements.

11. Energy Draw.

Winners of the Energy Draw were Ronald Reich, Josh Seely and John Melnyk. Each winner would receive \$100 off of their next energy bill. Six door prizes were available and winners were David/Ken/Heather Rogers, Phillippe Andre, Trudy Seely, Doug & Kelly White, Burton Brooks, and Lawrence & Florence Davidson.

12. Announcement of Vote Result

Reanne Springer stated there were two 3-year terms and one 2-year term available. In the case of a tie, the two names would be "dropped into a hat" and the person whose name was drawn would be allowed to choose from the available terms, as would the person whose name was not drawn.

Following the vote, the Ms. Springer reported there was a total of 69 vouchers and that two vouchers had left the meeting. There were 67 ballots including one spoiled ballot resulting in 66 valid ballots. Ms. Springer announced the results of the votes and the terms of the elected Directors as follows:

Sheldon Balkwill	41 votes	elected to a 3 year term
Sherry Buttrey	41 votes	elected to a 2 year term
Cindy Iverson	40 votes	elected to a 3 year term
Ed Machuk	34 votes	

13. Motion to Destroy Ballots (after 90 days)

Moved by Garry Weis, seconded by Cheryl Thomas

That the ballots be destroyed after 90 days.

CARRIED

14. Adjournment

Moved by Garry Weis, seconded by Victor Lauder

That the meeting be adjourned.

CARRIED

The meeting was adjourned at 9:40 p.m.



**Tomahawk Rural Electrification Association
Special General Meeting November 18, 2023**

Meeting Minutes

Trent Myck, Chairman of the Tomahawk REA Board called the Special General Meeting to order at 1:35 p.m. and introduced the Board Directors in attendance: Sherry Buttrey, Cindy Iverson, Ed Lang, Terry Hutchinson, and Sheldon Balkwill (Sheldon was called away temporarily for work purposes).

Invited Guests: Reanne Springer, Chief Election Officer and Kevin Smith with Witten Law LLP, Tomahawk REA Legal Counsel.

Mr. Trent Myck announced a few speaking rules for the meeting:

Quorum will be determined on November 18, 2023, at 9:00 p.m. when the polling station closes. This is also when the meeting will officially be adjourned.

There are 616 eligible voters, and the quorum is 20% of that which is 123.

Mr. Myck inquired if any of the members were interested in becoming a Scrutineer, explaining it is a person who observes the voting and counting of ballots. He further instructed the members to approach Reanne to sign a form before the voting commences to become a Scrutineer.

1. Extraordinary Resolution

Mr. Myck read the following extraordinary resolution to the members and asked for a mover and a seconder on the motion to accept this be the question on the ballot. "Do you agree to sell all the works (assets), excluding reserves, of Tomahawk REA to FortisAlberta Inc. for the amount not less than \$11,150,000.00, representing approximately \$16,000 per service, prior to taking into account Tomahawk REA reserve balances?"

Moved by Brenda Cathrea, Seconded by Barb Bundt

That the extraordinary resolution was approved as presented.

The majority voted in favour, 2 opposed.

CARRIED

Mr. Myck also announced that the Board determined there would be no discussion on the vote that day and no call for Orders of the Day as quorum won't be met until the end of the day. He went on to say for the vote to pass 2/3 of the ballots cast must be in favor for the vote to pass. If the vote passes there will be another meeting of the membership to follow, where the members would determine how the proceeds of the sale would be divided up.

He then stated that once the vote tally is complete Reanne Springer will inform the Board of Directors of the results and it will then be posted on social media.

Mr. Myck introduced Reanne Springer and Reanne explained to the membership how the voting process was to go. Everyone was to line up and exchange their wristband for a ballot, take it behind the voting screen make their selection bring it back and put it in the ballot box. Reanne also announced that the counting of the ballots would begin at 9:00 p.m.

Reanne did a call out for any other persons wanting to be Scrutineers to which there were none. She then announced the three Scrutineers who had already signed their forms, Clayton Innes, Jennifer MacGowan and Brenda Cathrea as well as Election Personnel, Mel deJong and Patty Pischke along with herself.

2. Scrutineer and Election Personnel

Mr. Myck then asked the members to approve the Scrutineers and Election Personnel as presented.

Moved by Barb Bundt, Seconded by Bob Hiew

All voted in favour.

CARRIED

The voting then began with the polling station closing at 9:00 p.m.

Reanne Springer and Mel deJong counted the ballots and gave the results to the Board of Directors, then the results were posted on social media. 66 and two-thirds percent of the members casting votes (292) shall be required to approve an extraordinary resolution. 438 people voted. 114 (26%) voted no, and 324 (74%) voted yes. The vote was passed. Tomahawk REA will sell all of its works (assets), to FortisAlberta Inc. for an amount not less than \$11,150,000.00.

TREA/Board

TOMAHAWK REA
BALLOT ACCOUNT AND RESULT OF VOTE For SALE QUESTION

VOTE DATE: NOVEMBER 18, 2023 IN THE HAMLET OF TOMAHAWK, ALBERTA

VOTING STATION: TOMAHAWK AND DISTRICT SPORTS AGRA CENTRE

Result of Vote:

Names of Candidates (or Question, or Description of Bylaw)	Number of VALID Ballots Marked for Each Candidate (or For and Against on a Question or Bylaw)	
YES	324	74%
NO	114	26%
TOTAL BALLOTS COUNTED	438	100%

BALLOT ACCOUNT

TOTAL BALLOTS PRINTED: 650

TOTAL SIGNED CONTRACTS/MEMBERS ELIGIBLE TO VOTE: 616

TOTAL BALLOTS ISSUED: 650

TOTAL VALID BALLOTS*: 438

TOTAL UNUSED BALLOTS: 208

SPOILED BALLOTS: 1

REJECTED BALLOTS: 3

TOTAL 650

*See breakdown of vote following for valid ballot number

VALID BALLOT BREAKDOWN (FROM OFFICIAL COUNT):

YES 324

NO 114

TOTAL VALID BALLOTS*: 438

Results verified by:

Reanne Springer
Reanne Springer, Chief Election Official, Signature

Nov 18/23
Date

Melanie de Jong
Name, Position, Signature

Nov 18/23
Date

Brenda Cathrae
Name, Position, Signature

Nov 18/23
Date

Jennifer MacGowan
Name, Position, Signature

Nov. 18/23
Date

Chyler Enns
Name, Position, Signature

Nov 18/23
Date

Name, Position, Signature

Date



Board Report

Good evening, everyone. Thank you for attending the 2024 Tomahawk AGM.

Year in Review

2023 was another busy year for the Tomahawk REA. We were able to bring forward the Purchase Proposal from Fortis Alberta. A huge focus was on finalizing the Letter of Understanding and increasing the purchase proposal offer received from Fortis. Tomahawk REA held a Special General Meeting on November 18, 2023, for the members to vote on the Fortis Alberta Sales proposal, out of 614 eligible voters, 438 members voted. There were 114 votes not to sell and 324 votes to sell. As 2/3% of members casting votes are required to pass an “Extraordinary Resolution”, the sales vote of the Tomahawk REA assets to Fortis was passed with a 74% majority.

Our DSO and RRO contract with Battle River remains in effect until the sale of the REA is finalized. To reduce costs for the membership the TREA Board decided to terminate the 2024 memberships for AFREA and CPSC as well as the Tomahawk REA office rental was not renewed.

Tomahawk REAs 2023 expenses:

- Pole testing was completed in 2023 for a total of \$13,590, one pole failed testing and was changed out in 2024 for a total of \$5,590.
- 2023 Vegetation costs of \$88,000 was carried over from 2022. A total of 55 hot spots were identified in 2023. Totalling \$55,958.16 in 2023 and an additional \$89,000 was carried over to 2024 bringing the total vegetation to \$232,958.165.
- Breaker Upgrades for a total of \$3,990

System upgrades totalled \$97,050.

- Substation rebuild SW-18-52-05-W5 needed upgrading at a cost of \$32,091.66
- Operating and Maintenance costs \$25,892.93
- Additional equipment system upgrades totalling \$39,000.

Thank you for attending the 2024 AGM.

Sherry Buttrey
Cindy Iverson
Sheldon Balkwill
Terry Hutchinson
Ed Lang
Trent Myck

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Financial Statements

Year Ended December 31, 2023

DRAFT FOR DISCUSSION PURPOSES ONLY

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

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Year Ended December 31, 2023

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DRAFT FOR DISCUSSION PURPOSES ONLY

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Statement of Revenues and Expenditures

Year Ended December 31, 2023

	2023	2022
REVENUES		
Distribution and tariff revenue	\$ 1,274,105	\$ 1,098,147
COST OF GOODS SOLD		
Transmission	473,282	440,661
Distribution service operations	174,160	171,015
	<u>647,442</u>	<u>611,676</u>
GROSS PROFIT	<u>626,663</u>	<u>486,471</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Operational maintenance, line moves, salvage and brushing	270,960	499,834
Amortization	-	140,762
Wages and wage costs	44,657	45,725
Memberships and dues	31,970	37,544
Audit fees	15,500	16,500
Sales proposal costs	12,878	14,205
Meter reading expense	8,360	5,167
Legal fees	7,981	7,077
Insurance	5,718	5,284
Annual general meeting	5,499	11,644
Rent	5,400	5,400
Directors fees and honoraria	4,925	3,600
Office	3,786	4,763
Travel, meetings and convention	3,578	2,397
Advertising and promotion	2,479	2,498
Interest and penalties	357	108
	<u>424,048</u>	<u>802,508</u>
EXCESS (DEFICIENCY) OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FROM OPERATIONS	<u>202,615</u>	<u>(316,037)</u>
OTHER INCOME		
Amortization of capital contributions	122,603	122,466
Interest - reserve account	54,521	31,896
Interest - general	13,749	3,356
System shares	200	200
Memberships	2	2
	<u>191,075</u>	<u>157,920</u>
EXCESS (DEFICIENCY) OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 393,690</u>	<u>\$ (158,117)</u>

See notes to financial statements

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Statement of Changes in Net Assets

Year Ended December 31, 2023

	Deposit Reserve	Investment in Plant and Equipment	Unrestricted	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$ 1,367,012	\$ 1,339,888	\$ 73,520	\$ 2,780,420	\$ 2,938,537
Excess (Deficiency) of revenue over expenses	393,690	-	-	393,690	(158,117)
Additions to distribution system	-	99,924	(99,924)	-	-
Amortization of capital contributions	-	122,603	(122,603)	-	-
Repayment of promissory notes receivable	-	(6,114)	6,114	-	-
NET ASSETS - END OF YEAR	\$ 1,760,702	\$ 1,556,301	\$ (142,893)	\$ 3,174,110	\$ 2,780,420

See notes to financial statements

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED
Statement of Financial Position
December 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash (Note 5)	\$ 1,418,603	\$ 1,490,751
Accounts receivable	166,363	132,999
Current portion of notes receivable (Note 6)	6,281	6,086
Goods and services tax recoverable	20,420	29,074
Prepaid expenses	7,907	2,779
	1,619,574	1,661,689
Distribution assets held for sale (Notes 4, 7)	4,220,728	4,120,804
LONG-TERM PORTION OF NOTES RECEIVABLE (Note 6)	114,592	120,900
	\$ 5,954,894	\$ 5,903,393
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 44,233	\$ 263,820
CAPITAL CONTRIBUTIONS	2,736,551	2,859,153
	2,780,784	3,122,973
NET ASSETS		
Deposit reserve	1,760,702	1,367,012
Investment in distribution system and capital contributions	1,556,301	1,339,888
Unrestricted	(142,893)	73,520
	3,174,110	2,780,420
	\$ 5,954,894	\$ 5,903,393

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over general and administrative expenses	\$ 393,690	\$ (158,117)
Items not affecting cash:		
Amortization of distribution system	-	140,762
Amortization of capital contributions	<u>(122,603)</u>	<u>(122,466)</u>
	<u>271,087</u>	<u>(139,821)</u>
Changes in non-cash working capital:		
Accounts receivable	(33,363)	(29,237)
Accounts payable	(219,586)	163,391
Prepaid expenses	(5,128)	(321)
Goods and services tax payable	<u>8,654</u>	<u>(24,940)</u>
	<u>(249,423)</u>	<u>108,893</u>
Cash flow from (used by) operating activities	<u>21,664</u>	<u>(30,928)</u>
INVESTING ACTIVITIES		
Additions to distribution assets and capital contributions	(99,924)	(151,202)
Repayment of meter costs	-	(31,494)
Cash flow used by investing activities	<u>(99,924)</u>	<u>(182,696)</u>
FINANCING ACTIVITIES		
Capital contributions received	-	14,203
Payments received on promissory notes receivable	<u>6,114</u>	<u>16,423</u>
Cash flow from financing activities	<u>6,114</u>	<u>30,626</u>
DECREASE IN CASH FLOW	(72,146)	(182,998)
Cash - beginning of year	<u>1,490,750</u>	<u>1,673,748</u>
CASH - END OF YEAR (Note 5)	\$ 1,418,604	\$ 1,490,750

See notes to financial statements

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

1. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

2. PURPOSE OF THE ORGANIZATION

Tomahawk Rural Electrification Association Limited (the "organization") is a not-for-profit organization of Alberta.

The organization is a local rural electrification association and is governed by the Rural Utilities Act and Regulations of Alberta.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Tomahawk Rural Electrification Association Limited follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deposit Reserve Fund

The deposit reserve fund is maintained for ongoing maintenance and system replacement costs.

Going concern assumption

These financial statements have not been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the organization be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The organization's has entered into an agreement for the sale of its distribution assets. As the organization derives the entirety of its revenue from these assets, upon closing of the sale, the organization will apply for dissolution with the overseeing regulatory body. Until such time, the organization will continue to operate on a going concern basis.

Disposal of long-lived assets

Long-lived assets to be disposed of by sale are measured at the lower of their carrying amounts and fair value less costs to sell and are not amortized as long as they are classified as assets to be disposed of by sale.

Long-lived assets classified as held for sale are not reclassified as current assets, unless the enterprise has sold the assets prior to the date of completion of the financial statements and the proceeds of the sale will be realized within a year of the date of the balance sheet, or within the normal operating cycle if that is longer than a year.

Discontinued operations

The results of discontinued operations, less applicable income taxes, are reported as a separate element of income for both current and prior periods only if they can be clearly distinguished from the rest of the enterprise.

Distribution system

(continues)

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Historically, Distribution system were stated at cost or deemed cost less accumulated amortization and were amortized over its estimated useful life on a straight-line basis at the following rates and methods:

Distribution system	52 years straight-line method
---------------------	-------------------------------

Prior to the fiscal year ending December 31, 2015, the Association has not recorded the historical cost of assets acquired, or the related amortization of these assets. The current year reflects estimates of historical cost and related accumulated amortization going back to the inception of the association as provided in the current year's historical cost valuation report commissioned.

During the current fiscal year ending December 31, 2023, these assets have been reclassified as assets held for sale.

Capital Contributions

Capital contributions represent payments received from members toward the direct cost of new service construction and is amortized into income at the same rate that the related electrical distribution system is amortized.

Capital contribution amounts have been estimated based on the estimated historical cost and related accumulated amortization set forth in the current year's historical cost valuation report commissioned.

Financial Instruments

The organization does not disclose fair value information about financial assets and liabilities for which fair value was not readily obtainable.

Other amounts noted on the Balance Sheet such as prepaid expenses, property, plant and equipment and deferred revenue are not financial instruments.

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable and Investment Program amounts receivable.

Financial liabilities measured at amortized cost include accounts payable.

The organization holds Nil financial instruments measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

(continues)

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance, or assumption.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. SALE OF DISTRIBUTION ASSETS

On December 20, 2023, the organization entered into an agreement to sell its distribution assets to Fortis Alberta ("Fortis") for consideration of the sum of \$11,150,000.00 plus GST. The transaction is pending termination of its Electric Distribution System Operator Agreement ("EDSO Agreement") with Battle River Power Co-op, termination of the Service Agreement between the organization and its counterparty in respect of regulated rate options and obligations ("RRO Agreement"), and pending regulatory approval. The transaction is expected to close in the December 31, 2024 fiscal year.

Accordingly, the distribution assets have been classified as held for sale, and as a result the organization is no longer taking amortization on these assets.

5. CASH

The association maintains unrestricted funds in general and savings accounts and has invested its Deposit Reserve funds in high interest savings account and in term deposits as follows:

	<u>2023</u>	<u>2022</u>
Alberta Treasury Branch savings account	\$ 28,163	\$ 21,383
Alberta Treasury Branch term deposits	1,029,837	1,345,629
Alberta Treasury Branch unrestricted saving accounts	360,604	123,738
	<u>\$ 1,418,604</u>	<u>\$ 1,490,750</u>

6. PROMISSORY NOTES RECEIVABLE

The association holds promissory notes receivable owing from members who have utilized the associations Investment Program. In prior years, this Investment Program was provided through EQUUS. The notes are being paid down by way of monthly IRDR payments, and bear no interest.

	<u>2023</u>	<u>2022</u>
Total amounts receivable	\$ 120,873	\$ 126,986
Amounts receivable within one year	(6,281)	(6,086)
	<u>\$ 114,592</u>	<u>\$ 120,900</u>

(continues)

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

6. PROMISSORY NOTES RECEIVABLE *(continued)*

Principal repayment terms are approximately:

2024	\$ 6,281
2025	6,281
2026	6,281
2027	6,281
2028	6,281
Thereafter	89,468
	\$ 120,873

7. DISTRIBUTION SYSTEM AND CAPITAL CONTRIBUTIONS

Distribution system held for sale

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Distribution system	\$ 7,360,966	\$ 3,140,238	\$ 4,220,728	\$ 4,120,804

Amortization provided for in the current year totalled \$Nil (2022 - \$140,762) as the distribution assets have been reclassified as held for sale. We would like to draw your attention to Note 4 which describes the circumstance in which the distribution assets have been reclassified.

Prior to the fiscal year ending December 31, 2015, the Association has not recorded the historical cost of plant and equipment acquired, or the related amortization of these assets.

During the 2018 fiscal year, the association commissioned an independent valuator to calculate estimated historical cost and accumulated amortization amounts for the association's distribution system assets from the inception of the association. These estimates were based on a reverse extrapolation of current costs over time historically, using factors such as past annual service installation totals and inflation.

The conclusions of this exercise do not constitute a replacement cost minus depreciation approach, a current valuation of the association's distribution assets, or a valuation of the association as a whole.

Capital Contributions

	Total Contribution	Accumulated Amortization	2023 Net book value	2022 Net book value
	\$ 5,626,696	\$ 2,890,145	\$ 2,736,551	\$ 2,859,153

During the year, the Association received contributions from members and non-members of \$nil (2022 - \$14,203) and recorded amortization of capital contributions of \$122,603 (2022 - \$122,466).

Prior to the fiscal year ending December 31, 2015, the Association has not recorded the historical cost of plant and equipment acquired, or the related capital contributions. The current year reflects estimates of historical capital contributions and related accumulated amortization going back to the inception of the association.

TOMAHAWK RURAL ELECTRIFICATION ASSOCIATION LIMITED

Notes to Financial Statements

Year Ended December 31, 2023

8. EXEMPTION FROM INCOME TAX

The association is a non-profit organization and is therefore exempt from income tax under Section 149(1)(l) of the Income Tax Act.

9. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2023.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from members and its distribution system operators. In order to reduce its credit risk, the organization conducts regular reviews of its existing members' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of members which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources, and accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization does not have exposure to these risks.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

DRAFT FOR DISCUSSION PURPOSES ONLY



March 28, 2024

Tomahawk Rural Electrification Association Limited
Box 10030 RPO Black Gold
Drayton Valley, AB.

To the Board and Members of the REA,


Thank you once again for the opportunity to provide you with a letter to the members of the Tomahawk REA on behalf of ATB Financial.

As a Relationship Manager within ATB Business Solutions, I continue to work within our Public Sector group which encompasses clients such as municipalities, universities/colleges, colleges, foundations/non-profit organizations including REA's such as yourselves.

I am happy to report that from a financial perspective, you, as members of the REA, are earning the optimum interest rates between the Operating Accounts and the Notice Demand Accounts, which are shorter term high interest savings type of accounts. These accounts provide the best returns while providing flexibility to meet the various financial obligations of the REA. Your Board has done a great job managing these funds for the REA while at the same time earning a good interest rate.

On behalf of ATB Financial, I would like to thank the REA for your business over the past 46+ years, it is truly appreciated!!

Thanks again and hope all goes well with the sale of the REA this year. Take care.

DocuSigned by:

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Karen Schneberger

Relationship Manger
ATB Business Solutions

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ATB Business Solutions