

Policy Name: Reserve for Injuries and Damages

Policy Number: F-20

Policy Monitor: Chief Financial Officer

Policy Approver: Audit & Efficiency Committee

Approval Date: **December 15, 2022**

Purpose

This policy provides guidance on the proper use and accounting of Reserve for Injuries and Damages in Rate Regulated Accounting framework financial statements and schedules.

Policy Statement

Public Sector Accounting Standards (PSAS) Accounting Framework

For purposes of producing and reporting under PSAS, all costs incurred as a result of uninsured and uninsurable losses and the deductible portion of insured claims will be expensed and recorded in the Statement of Operations, the year of the event. Any offsetting insurance proceeds will be recorded at the time of receipt. The remainder of this policy is applicable only to accounting included in regulated financial statements

Rate Regulated (RRA) Accounting Framework

The Reserve for Injuries and Damages (the Reserve) regulated account serves as a mechanism to protect ratepayers and the Corporation against uninsured and uninsurable losses and the deductible portion of insured claims. The Reserve acts as a compliment to the Corporation's insurance policies. Maintaining the Reserve mitigates rate fluctuations by smoothing out the charges to Operating and Maintenance expense, with respect to these types of losses.

The establishment of the Reserve provides financial advantages over paying significantly higher insurance premiums in order to reduce deductibles or insure items which carry prohibitively high premiums.

The Reserve is only to be used for items that are "accidents" consistent with definitions in the Corporation's boiler and machinery insurance policy (as noted below). It is not to be used for items that fail due to wear or for maintenance expenses.

Guidelines

1. All costs to be charged to the Reserve must relate to a sudden and accidental incident. Examples include: wind storms that down a distribution line, mechanical or other failure

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of an engine or hydro turbine (e.g., bearing failures, pump failures, etc.), vehicle accidents, fuel spills, fires, and other unforeseeable events.

2. All charges to the Reserve are limited to claims amounting to \$100,000 or greater per incident.
3. All claims exceeding \$100,000 are given an emergency project number so that each event can be tracked separately.
4. Capital assets and the costs associated with making those costs used and usable in normal conditions should not be included in this fund. Those costs should be capitalized as a capital asset.
5. The Reserve is established for the payment of:
 - a. The deductible portion of Insured Losses including Extra Expense;
 - b. Any portion of an insurance claim that is not paid by the Insurance Company;
and
 - c. Uninsured and Uninsurable Losses.

Roles and Responsibilities

- **Operational Directors** or appointed delegate need to notify the Manager, Risk Management & Internal Audit, Manager, Financial Planning & Analysis, Divisional Finance Manager and the Director Finance/Controller so that coding can be established to track these events.
- The **Manager, Financial Planning & Analysis** and/or the **Manager, Risk Management & Internal Audit** are responsible for providing Senior Leadership with a Quarterly Report on the regulatory account for Reserve for Injuries and Damages.
- The **Chief Financial Officer** will have final authority on items to be charged to the Reserve.

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Definitions

- **Accident:** The unintended or unexpected electrical or mechanical breakdown, operation, malfunction or failure to function or any property insured or any part of property insured including any ensuing physical loss or physical damage, which necessitates the repair or replacement of such property or part before the operations or processes of the insured previously carried out can be safely resumed or safely continued, whether or not the property or part itself has sustained physical loss or physical damage.

This definition applies to property:

- While at work or at rest;
- While dismantled for the purpose of cleaning, inspection, maintenance, repair or installation and while being dismantled, moved, reassembled or re-erected in the course of such activities; and
- While being tested, but only where such testing has been previously agreed by the insurers.

However, shall not include loss or damage:

- Due to the imposition of abnormal conditions directly or indirectly resulting from intentional overloading or testing conducted at the direction of the senior management, unless such activities are advised to and accepted by the insurers.
- Wear, tear gradual deterioration or depreciation, inherent vice, latent defect, rust corrosion, dampness of atmosphere or contamination, vermin or normal making good, unless physical loss or damage by a peril insured against ensues in which case this Policy will insure loss or damage caused by such ensuring peril.
- The cost of making good faulty workmanship, construction, material or design, however, this exclusion shall not apply to physical damage to any other property

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insured hereunder that is caused by or results directly from such faulty material, construction, workmanship or design.

- Normal settling, shrinkage or expansion in walls, ceilings or floors, unless caused by or resulting from physical loss or damage by a peril not otherwise excluded unless physical loss or damage by a peril insured against ensues, in which case this Policy will insure such ensuing loss or damage.
- Dryness of atmosphere, shrinkage, evaporation, loss of weight, wet or dry rot, mould, changes in flavour or colour or texture or finish, changes in temperature or humidity.
- **Extra Expense:** The excess, if any, of the total cost during the period of restoration for the purpose of continuing the Insured's business over and above the total cost that would normally have been incurred to conduct the business during the same period had no loss occurred; the cost in each case to include the expense of using other property, temporary facilities, or facilities of other concerns of other similar necessary emergency expenses and also includes costs and expenses necessitated as a result of the minimum provisions of any By-Law. In no event however, shall the Insurer(s) be liable for loss of income, nor for extra expense in excess of that necessary to continue as nearly as practicable the normal conduct of Insured's business. The Insurer(s) shall also be liable for extra expense incurred in obtaining property for temporary use during the period of restoration necessarily required for the conduct of the insured's business; any salvage value of such temporary property remaining after resumption of normal operations shall be taken into consideration in the adjustment of any loss hereunder.
- **Insured Loss:** With respect to losses, the item in question must be covered by insurance. Charges against the Reserve include the deductible portion of insured losses as well as any portion of the claim not paid by the insurance company.
- **Risk:** The possibility of loss or injury.
- **Uninsurable Loss:** A loss where insurance coverage was not available as a result of very high risk exposure.

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- **Uninsured Loss:** A loss for which the Corporation does not possess insurance.

Policy History

Date	Revision #	Description of Change
December 15, 2022	8	Align roles and responsibilities with current Org Chart
January 13, 2020	7	Align roles and responsibilities with current Org Chart
December 15, 2016	6	Clarified that the costs associated with the addition of assets, resulting from an emergency, are not added to the RFID but are capitalized.
December 1, 2015	5	Additional changes required as a result of NTPC conversion to PSAS for external reporting.
June 11, 2015	4	Changes required as a result of NTPC conversion to PSAS for external reporting.
December 1, 2013	3	Reformatted to new policy template and general revisions for clarity.
August 29, 2007	2	Limit for changes to the Reserve updated to \$100,000 as per PUB Decision 13-2007.
April 1, 2006	1	Updated for changes to corporate structure.
December 1, 2000	-	Original policy.