

Customer engagement **through innovation**





Oshawa Power & Utilities Corporation (OPUC) safely and efficiently manages its regulated electricity distribution network, revitalizing assets and ensuring capacity to provide for customers' needs both today and in the future. With a strategic focus on diversification, OPUC is making prudent investments in unregulated initiatives to augment solid returns from the regulated business.

The OPUC Family of Companies

Oshawa PUC Networks Inc.

OPUCN is a regulated utility that distributes electricity in the community of Oshawa.

Oshawa PUC Energy Services Inc.

OPUCES develops, constructs and operates clean energy generation assets in Ontario.

Oshawa PUC Services Inc.

OPUCS provides a reliable dark fibre optics communications network within Oshawa and Durham.

2252112 Ontario Inc.

2252112 develops, constructs and operates renewable energy generation assets in Ontario.

Customer engagement through innovation

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OPUC community-based infrastructure assets

Total number of customers
56,813

Overhead primary circuit length
521 km

Service area
149 km²

Underground primary cable circuit length
441.5 km

Energy supplied
1,118,503,419 kWh

Distribution transformers
6,593

Total peak demand served
214 MW

Fibre optic network length
106.5 km

Municipal substations
8

Total maximum rated capacity of all municipal substations
615.6 MVA

Output of combined heat and power (CHP) plant
2.4 MW

Number of poles
11,456

Generation assets (not including CHP)
547 kW



OPUCN Board of Directors

- Ron Stewart, *Chair*
- Grant Buchanan
- Terry Caputo
- Denise Carpenter
- Jeff Coles
- Donna Kingelin
- Lou Meehan
- Marc Rosen

OPUC Executive

- Ivano Labricciosa
President & CEO
- Phil Martin
Vice President of Finance and Regulatory Compliance





Letter from the Chair

As true as it is for other industries, **the way we do business today will not be the way we do business in the future.**

Over the past few years, as the Ontario energy sector and the electricity industry as a whole has been moving into a new era, technology is opening up new opportunities for our customers and we want to be in a position to help them avail themselves of the benefits. We are proud that Oshawa Power & Utilities Corporation (OPUC) is not only succeeding in this business environment, we are thriving.

Ron Stewart, OPUC Chair, is shown here with the solar rooftop array of one of 30 Oshawa households participating in the utility's residential solar energy management system pilot program.

We continued in our traditional role of delivering safe and reliable power, while at the same time providing a steady dividend to our shareholder, the City of Oshawa. In 2015, we also made great strides in transforming our most mission-critical relationship – the one with our customers. The credit for this goes to our dedicated team of employees who are leveraging new technologies in innovative ways to build timely customer-centric communications including mobile apps that are making us even more productive and responsive to the needs of our customers.

Even as we expanded our infrastructure and workforce to allow for the capacity required to meet the tremendous residential and commercial growth Oshawa is experiencing, we are pleased to report that our 2015 net income rose to \$4.7 million from \$4.5 million in 2014. We are able to declare a dividend of \$1.9 million for 2015 – the second year in a row that we have been able to increase our dividend. Our capital expenditures remained steady at \$11.8 million. As a validation of our company's strong capital structure, we were also successful in acquiring a \$15 million long-term debt (well within prescribed guidelines) that we plan to draw on to meet the growing needs of our community.

In 2015, we welcomed the confirmation of our “doing more with less” philosophy when our industry regulator, the Ontario Energy Board (OEB), felt comfortable in giving us near 100 per cent approval for our 2015-2019 rate application. Our finance and operations teams worked diligently to demonstrate that our requests for future rates were reasonable and justified, especially in consideration of the unprecedented growth our community faces. Our track record of investing responsibly and finding efficiencies didn't go unnoticed. In the OEB's own words: *“In reviewing the OM&A budget, the OEB also considers OPUC's efforts to achieve efficiency gains, by doing more work with fewer resources, implementing innovation and demonstrating continuous improvement.”*

“...in 2015 we also made great strides in transforming our most mission-critical relationship – the one with our customers.”

Today, residential and commercial ratepayers expect their local distribution company to be a source of innovative solutions for better managing their energy needs. OPUC's approach to conservation and demand management goes well beyond administering provincial incentive programs, to actively encouraging our customers in becoming engaged participants in reducing their energy footprint. We are providing access to technological innovations that will allow our customers to produce, store and manage the energy needed for their homes and businesses.

We were thrilled in 2015 when the Japanese government and leading Japanese technology companies chose OPUC as their utility company partner in a multi-million dollar study to examine how homes of the future will be powered. This was corroboration of our concerted efforts to stay at the forefront of innovation in our sector when implementing

distributed generation projects. The faith that was put in OPUC was honoured this past November when the first two of 30 Oshawa homes involved in the study received their free “solar energy management systems”.

As a forward-looking utility, we understand that continued success in our industry will be based on data.

With this in mind, our team worked hard last year to set the stage for the roll out of our HomeBeat™ pilot. OPUC is empowering homeowners to make behavioral changes to reduce energy consumption through this online and mobile app, which gives users near real-time feedback on their consumption patterns in comparison to their neighbours.

More and more, marquee businesses and institutions within and beyond Oshawa are looking to OPUC for proven leadership in implementing distributed generation projects. In 2015, we were instrumental in our role as the Province's representative in facilitating the \$1.78 million incentive that Lakeridge Health Oshawa received for commissioning a 1.6 MW cogeneration plant that will generate 12.9 GWhs of electricity annually and produce heat for processes right at the hospital site. Throughout the project, Lakeridge looked to OPUC as a source of proven expertise based on

the experience we gained in successfully implementing our own unregulated distributed generation projects.

We are also pleased that, due to our team's innovative bid under a competitive process in 2015, we were selected by Toronto Community Housing Corporation (TCHC) to manage and operate their District Energy System (DES) at the Regent Park Development Site. TCHC owns \$9 billion in public assets includes 2,100 buildings and 50 million square feet of residential space. It is an honour to have been chosen by an organization such as TCHC to manage their DES and assist in growing this asset with solutions such as cogeneration plants.

During 2015, OPUC's commitment to finding better ways to serve our community was also evident in the leadership role we played in the development of a micro-grid on the campus of UOIT / Durham College that is scheduled to be commissioned in the fall of 2016. The largest of its kind in Canada, this micro-grid will serve as a living lab for students that will allow the campus to be isolated from the grid during major outages so that it can continue normal operations.

As we continued to look for opportunities to extend our reach into the community, we also invested in our workforce who are integral to sustaining our success. We completed the first year of a two-year test of a wellness program that encourages employees to lead healthier lives. One day each week, a wellness counselor is onsite at OPUC's head office to meet with employees in person and in groups, as well as conduct a range of wellness activities.

Safety continued to be a top priority. In 2015, we took great pride in announcing that, following an exhaustive audit of our safety processes, OPUC became the first local distribution company in the province to achieve Infrastructure Health & Safety Association's COR™ (Certificate of Recognition) designation – its highest level of workplace safety accreditation. This is a hearty

endorsement of our years of steadfast dedication to providing the safest work environment possible.

As in the past, the company and our employees have teamed up to support worthy causes in our community. In 2015, we put a new focus on bringing together teams from across our organization that will truly represent OPUC in these efforts – from management to fieldworkers. This was best exemplified when we sponsored teams of OPUC employees for the Big Brothers Big Sisters of Oshawa-Whitby's 2015 Bowl For Kids Sake event and the Heart&Stroke Big Bike ride.

It is incumbent on the part of the leadership team at OPUC to keep an eye on the horizon in search of opportunities and challenges that will best serve the interests of all

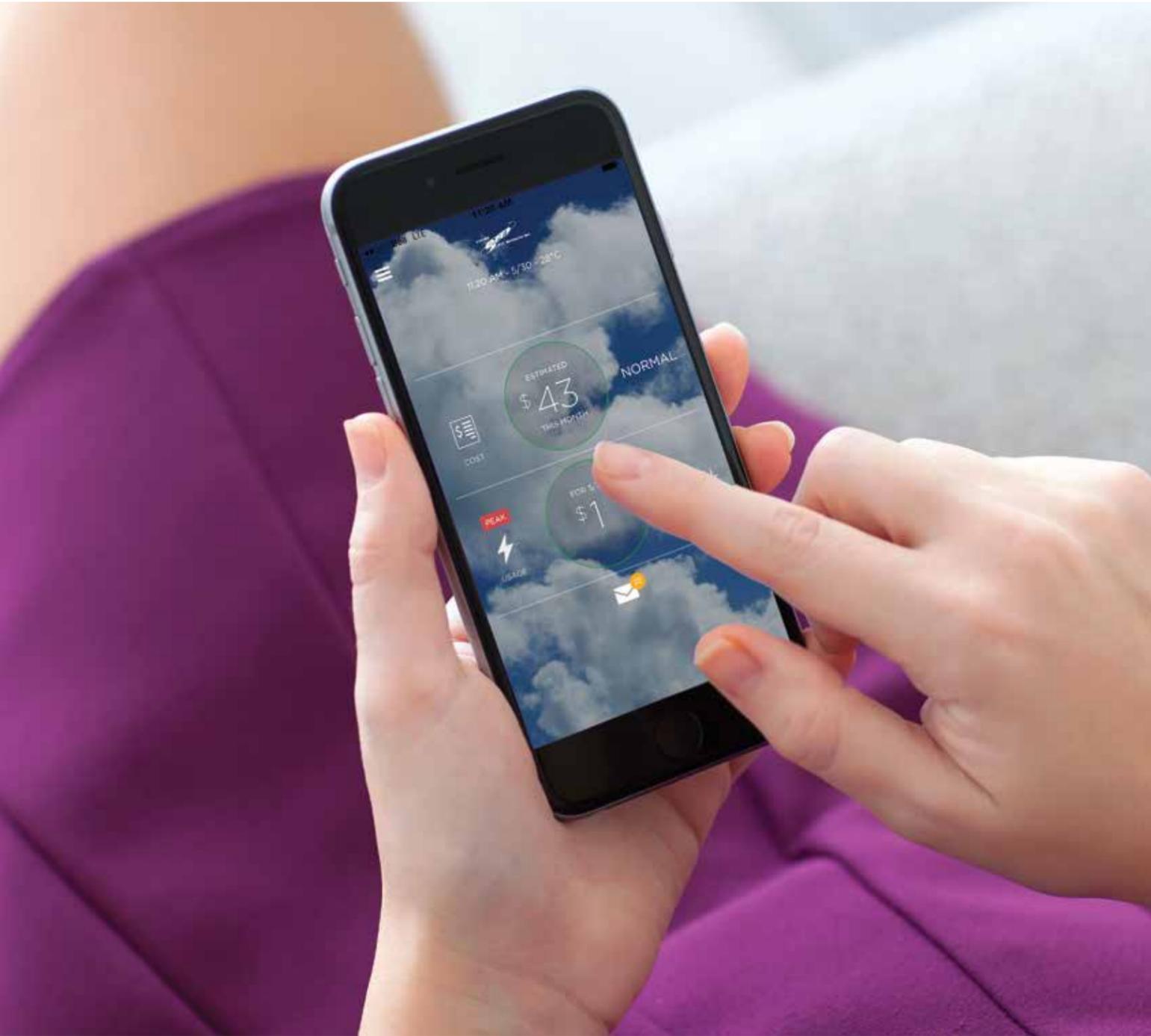
“As we grow our company, it is incumbent on the management group at OPUC to keep an eye on the horizon in search of opportunities that will best serve our stakeholders.”

of our stakeholders. To this end, it was recently announced that OPUC has entered into a *Memorandum of Understanding* to explore the potential benefits of a merger with Whitby Hydro and Veridian Corporation to achieve greater shareholder value, optimize services and value for our customers, and provide growth opportunities for our employees.

We thank all of our employees and partners for their contributions towards an outstanding 2015 and willingness to embrace change in the best interest of the community we serve. As we move forward into 2016, we plan to build on this momentum by continuing to be a stable source of revenue for our shareholder, the City of Oshawa, while supplying its residents with the safest and most reliable power system possible.



Ron Stewart
Chair



OPUC's mobile and online HomeBeat app provides residential customers with detailed information on their consumption patterns so that they can make behavioural changes that will help them save on their electricity bills.

Over the past few years, OPUC has put a priority on enhancing its customers' experience when dealing with the utility by anticipating their energy needs and developing two-way relationships with the homeowners and businesses it serves. OPUC recognizes that today's customers want choices, reliability and innovation at affordable rates. That's why the initiatives it started in 2015 set the foundation for continued improvements to customer engagement for years to come. More than ever, OPUC demonstrated that customers are its priority and that the utility's goal moving forward is to provide its customers with the best choices possible regarding their energy needs.

Engaging customer with a new beat

Through collaborative efforts involving several departments in 2015, OPUCN completed development of its HomeBeat™ app. This innovative digital tool leverages the utility's existing smart grid technology investments to enable customers to gain greater control over their energy costs by giving clear and specific insights into their energy use patterns. The goal is to assist customers in generating savings by helping them modify their energy consumption behaviour.

"With the initiation of the HomeBeat pilot," explained Janet Taylor, Manager of Conservation and Demand Management, "OPUC is going beyond the industry status quo with one distinct objective: to bring value to our customers. Over the course of 2015, a large cross-functional team came together to launch HomeBeat. Though team members had very different skills and roles, we rallied around the common cause of supporting our customers; helping them to save energy; and take control of their costs."

Available as a web portal and mobile app for smartphones, HomeBeat provides 24/7 access to data analytics that have traditionally been unavailable. For example, customers enrolled in the program will see how much energy they're consuming compared to similar households in their neighbourhood. They'll also get a high-level breakdown of the systems in their homes that are using the most electricity, as well as alerts and notifications on how to reduce energy consumption and costs. The app will be piloted to 500 Oshawa residents in 2016 and is expected to help customers reduce their bills by up to 5 per cent.

Better serving the digital customer

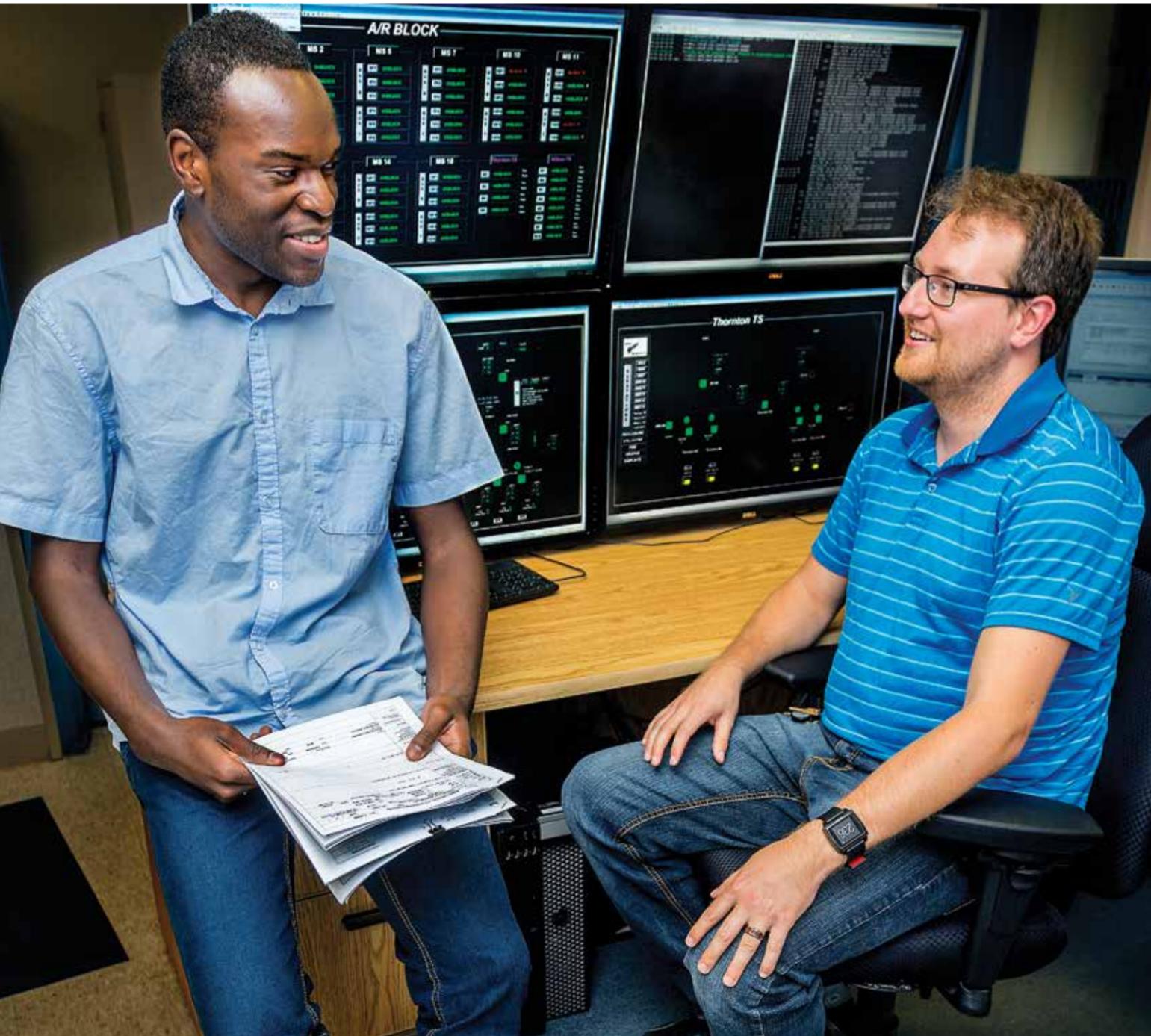
Along with incorporating features on its website that provide customers with real-time information around outages and restoration times via its online outage map, OPUC also gave the site a major makeover in 2015. Now, opuc.on.ca has a fresh and energetic feel, is easy to navigate and provides many new user-friendly features. Also, to give customers additional outlets to access information, OPUCN joined Facebook and Twitter in 2015. The utility regularly posted conservation tips and company news, as well as information regarding the launch of the Ontario Electricity Support Program (OESP). The fact that e-bill adoption rates rose by 2 per cent in 2015 was further proof that more and more customers are going digital.

In 2015, OPUCN also implemented Call Taker, a new program that gives call centre staff the ability to provide outage and restoration times to customers as soon as they call in.

In the fall of 2015, the utility trained its customer service staff to address inquiries regarding significant changes coming to electricity bills in 2016, including the OEB's launch of the OESP. This program provides low-income households with credits directly applied to their bills. Also, call centre staff tracked the 53,336 calls (almost one per customer) they received in 2015, making a concerted effort to put together measures and targets where staff can improve their performance and achieve greater efficiency in the future.

"It really is all about our customers and being able to assist, engage and keep them as happy as we can with our services. Without customers, we wouldn't be here."

– Angie Longworth, Manager, Customer Service



OPUC is leveraging its existing smart meter investments so that system operators can send outage information out before customers have a chance to report a disruption.

Finding cost-effective ways to incorporate advanced network operating solutions that enhance customer service has always been a key mandate for OPUCN. In 2015, this included upgrading smart meter technology and implementing major enhancements to the utility's outage management system that are improving response times and will provide customers with immediate status information on outages.

Using existing investments in technology to provide real-time outage information

In 2015, the OPUCN operations team successfully implemented a new outage management system that takes advantage of outage notification messages sent by smart meters to OPUCN's control room that can identify households affected by an outage often before customers have a chance to call in. In completing the foundation phase of the Outage Management System, the team demonstrated in 2015 that this data can be used to automatically populate an online outage map to show areas affected, outage durations and expected restoration times. The final customer-ready map is expected to go live on the OPUC website in 2016. As a next step, the utility plans to further enhance the system so that it will be able to automatically send outage notifications to customers via telephone, text messaging and email.

Making meters smarter

As part of implementing OPUCN's new outage management system, each of the company's collectors was upgraded to 4G LTE communication technology over a ten-month period in 2015. In addition, area collectors that are deployed across OPUCN's network – each of which can gather and transmit data from up to 1,500 smart meters – were upgraded with an expanded battery pack. Now, during an outage, the collectors can stay online for up to eight hours.

In 2015, OPUCN began migrating its commercial customers to a metering technology that leverages OPUCN's existing smart meter communication infrastructure. Traditional mechanical technology currently used by commercial customers requires meter data to be collected in person once per month. Automating the process allows meter data to be directly uploaded to OPUCN's operations centre daily. The utility plans to leverage the data from the commercial meters for use in its outage management system.

The utility found further efficiencies in 2015 by introducing remote disconnect meters for local apartment buildings and student residences. Now, rather than having to deploy a technician to meet with a customer at the site to shut off power to a vacant unit, the supply can be cut from OPUCN's operations centre.

“In 2015, our team implemented an outage management system that allows us to detect and predict power outages. We achieved our goals of knowing where an outage is and being able to restore power to our customers as quickly as possible by taking advantage of our smart meter communication system. This success has given us the foundation we need to move forward with plans for providing customers outage information through web presentment and social media.”

– Roger Ersil, Manager, Metering AMI and Operations



Jennifer and Dan Ellis are among the 30 OPUC customers that were selected to participate in a residential solar energy management system study that the Japanese government is conducting in partnership with the utility.

More and more, OPUC is being called on to be a partner in helping its residential and commercial customers become stewards of their energy needs. In 2015, the utility stepped up in a major way by providing Oshawa homeowners and flagship institutions with solutions for actively managing their consumption and technology that will allow them to produce, store and manage the energy they need, where they live and work.

Oshawa homeowners participate in OPUC-led international solar energy storage study

In 2015, Oshawa PUC Energy Services Inc. (OPUCES) partnered with NEDO (New Energy and Industrial Technology Development Organization), a consortium of technology companies led by the Japanese government, to bring a multi-million dollar residential solar energy storage and management system pilot project to Oshawa that will study how homes of the future will be powered. The study will see 30 residential homes outfitted with systems comprised of solar panels, battery storage, and an inverter – at no cost to homeowners. Fast-tracking the project, by year end, the two systems that OPUCES installed were already supplying sufficient power for the average household, and storing surplus energy to the battery or feeding it back into the OPUCN distribution grid under the Government of Ontario's net metering program.

OPUC helps create Canada's largest micro-grid

OPUCES is taking a leadership role in a major micro-grid project on the Oshawa campus of Durham College / UOIT that will examine the commercial feasibility of the smart micro-grid concept as a scalable emergency power application for large institutions. When commissioned in 2016, this will be the largest micro-grid of its kind in Canada, featuring a 500 kW lithium-ion battery energy storage system, an inverter system, 50 kW solar photovoltaic generation and a micro-grid controller/optimizer that will be integrated with OPUCES' existing 2.4 MW combined heat and power (CHP) plant on the campus. As a living lab for micro-grid research, students will witness first-hand how a micro-grid operates in providing backup power support to the campus evacuation centre during outages.

OPUC helps recreation centre explore micro-grid options

Oshawa's Legends Centre, a designated emergency relief centre for the City of Oshawa, was the subject of a detailed engineering study to determine the feasibility of a CHP plant. OPUCN facilitated a \$50,000 grant from the Independent Electricity System Operator to pay for the study. It explored the benefits of using a natural-gas powered engine to produce heat for processes at the centre, generate electricity for the facility's internal use and provide a backup power supply when there is a grid outage. Pre-planning for potential implementation is now underway.



(Left to right): Ron Stewart, OPUC Chair; John Henry, Mayor, City of Oshawa; and Hiroshi Kuniyoshi, Executive Director of NEDO, Japan, at the July 21, 2015 signing of the agreement that launched the start of the solar energy storage pilot.

“The system is functioning beyond our expectations. We are truly surprised at the power we are generating to date. The system is effortless to monitor with the web-based tracking and is also very easy to adjust for maximum benefit for the homeowner.”

– Jennifer and Dan Ellis, OPUC residential solar power storage pilot participants



A team from OPUCN was instrumental in helping Lakeridge Health receive a \$1.8 million incentive from the Province of Ontario for installing a 1.6 MW CHP plant at its Oshawa facility. Tim McHugh, Interim President & CEO, Lakeridge Health (left) and Janet Taylor, OPUCN's Manager of Conservation and Demand Management (right) are shown here in front of the plant.

Energy conservation has become a global issue and OPUC is going beyond the status quo to be innovative in its conservation demand management (CDM) strategy. Statistics show that Oshawa residents want to conserve energy – during Earth Hour, Oshawa's participation consistently exceeds the provincial average. In turn, OPUC aims to take conservation to the next level – going beyond its traditional role of being the delivery vehicle for the Province's CDM programs.

OPUCN's commitment to putting conservation first

Last year, OPUCN launched its *Conservation First Framework*, a four-year strategy that offers nine cost-effective conservation programs catering to the needs of residential and commercial customers. New staff member, Janet Taylor, joined the team in September as the company's first dedicated Manager of Conservation Demand Management. She is moving OPUCN forward in taking full advantage of funding offered by the Province for innovation, collaboration and future CDM pilots.

She also led the procurement of two new expert service providers, Summerhill and Burman Energy, who will help gain the reach needed to achieve the mandated targets. In fact, in this first year of the new framework, OPUC had already achieved 18 per cent of its Conservation First energy reduction target.

"Traditionally, customer relationships in the power industry have centered on providing safe and reliable power," states Janet. "Building on this foundation, OPUC is committed to creating value for our customers through helping them increase their energy efficiency."

Facilitating, guiding and partnering to help customers achieve conservation results

During 2015, OPUC forged new relationships with its commercial customers to help them put major energy conservation projects in place and assist them in obtaining project funding from the Province. OPUCN's role in the commissioning of a \$4.6 million CHP plant at Lakeridge Health Oshawa extended over and above facilitating the \$1.8 million incentive received from the Ontario government

Throughout project development, Lakeridge reached out to OPUC personnel as a valued source for guidance based on the utility's experience gained by successfully owning and operating its 2.4 MW CHP plant on the Durham College / UOIT campus. In addition to saving Lakeridge 12,880 MWh per year in electricity, the two 800 kW engines that power their system will also generate heat for hospital processes.

From the residential side, OPUCN continued to offer the Province's New Home Construction, Home Assistance and Coupon programs throughout 2015. A highlight of these programs over the 12-month period was the high value of incentives toward cutting-edge LED lighting. Another highlight was the major milestone the utility's Home Assistance Program achieved. By year end, with the help of its delivery partner Windfall Ecology Centre, OPUCN was able to offer free energy-efficient retrofits to every municipal social housing unit in its service territory.

"We were fortunate to work with the team at OPUC when we commissioned the hospital's combined heat and power plant. During the process, their team provided leadership and support to help connect us to the grid and to provincial incentives – money that we are able to put back into patient care."

– Tom McHugh, Lakeridge Health's Interim President and CEO



With new customer connections growing by more than 35 per cent in 2015, OPUCN's engineering team worked with City of Oshawa Planning Department staff to better outline the utility's requirements around construction projects.

As the City of Oshawa faces unparalleled commercial and residential growth, and Ontario's energy sector undergoes comprehensive modernization, OPUCN continues to prepare for the future. With an influx of new subdivision development in the north of the city and further construction of the Highway 407 ETR in 2015, customer connections grew by more than 35 per cent compared to the previous year.

Using capital projects as a means to embed innovation in the OPUCN network

OPUCN's \$11.8 million investment in capital projects over the course of 2015 demonstrates its ongoing commitment to optimally serving its commercial and residential customers for decades to come. By prudently integrating technological upgrades when renewing and expanding its network, the foundation has been set for the utility to continue to incorporate innovation that will further enhance system reliability and customer service.

System renewal investments deliver long-term reliability gains

In 2015, OPUCN rebuilt three aging sections of its overhead network in Oshawa, including the Park Road South / Stone Street area in the south-west, Keewatin Street South / Melrose Street area in the east and the Masson Street North / Mary Street area in the central district. In addition, the utility improved system reliability by completing six underground rebuilds where it replaced existing primary cable that was more than 40 years old.

In Oshawa's downtown core, the utility completed Phase 2 of its Distribution Automation Project in 2015. The four-year program has seen 15 underground transformer vaults outfitted with "intelligent" devices that monitor the health, capacity and loading of each vault's transformers. This technology was integrated with the company's supervisory control and data acquisition (SCADA) system to allow OPUCN's network operators to monitor the underground infrastructure and its switching operations in real-time.

Record growth in network connections

In 2015, OPUCN completed three additional crossings at the Highway 407 ETR (Winchester, Thornton and Simcoe roads) and set the stage for Phase 2 by temporarily relocating poles and overhead wires at Grandview Road North and Winchester Road East to make way for further highway construction work.

Planning for accelerated development activity and increased residential and commercial customer connections in 2015, OPUCN identified the need to construct a new municipal substation (MS9) along with the associated distribution feeders necessary for the utility to provide continued reliable service. MS9 will be strategically located at the south-east corner of the Wilson Road North and Conlin Road East intersection.

Preliminary planning for a new Hydro One 230/44 kV transformer station started in 2015. OPUCN worked with the Independent Electricity System Operator, Hydro One and neighbouring east GTA utilities to address station and feeder capacity requirements, and to ensure that a reliable supply of electricity is available to accommodate the load growth in the region. In addition to eventually supplying the new MS9, the planned transformer station will provide capacity relief for OPUCN's existing Thornton and Wilson transformer stations.

OPUCN played an active role in supporting development in the City of Oshawa in 2015 by working with the City's Planning Department to outline the utility's connection requirements. By providing increased feedback in the early stages of construction projects, the utility is minimizing the chance for issues to occur when customers eventually connect to OPUCN's grid.

"With a huge area of Oshawa starting development projects, we are trying to educate everyone on our connection requirements ahead of time so they won't get to the end of a project and discover there are problems."

– Lori Bootsma, P.Eng., Manager, Design



OPUCN continued its efforts to invigorate its workforce with the hire of three apprentices in 2015: Eric Willcock, Apprentice Power Maintenance Electrician (left); Chet Martin, Apprentice Powerline Technician (in bucket); and Jeremy Way, Apprentice Meter Technician (right).

Every employee at OPUC is encouraged to contribute 100 per cent of their talents, skills and ideas to the workplace. Recognizing that the utility can positively impact its relationship with customers by creating a progressive working environment that improves employee satisfaction and productivity, OPUC initiated several programs to support the health and well-being of its staff in 2015. This continued attention to employee needs has resulted in the utility being shortlisted for Canada's Top Employers awards in recent years.

Developing a workforce with the capacity to deal with the challenges of an ever-changing energy sector

The aging workforce is an energy-sector issue in Ontario. In 2015, OPUC happily welcomed three apprentices to its ranks – one powerline technician, one meter technician and one power maintenance electrician. Each received the standard OPUC “on-boarding” that included OPUC’s President & CEO personally welcoming each new hire at a one-on-one meeting. According to Meter Technician Apprentice Jeremy Way, “I started working for OPUC in September 2015. Health & Safety, HR and my department manager were helpful to get me started in a very safe and exciting career.”

OPUC looks first to its own ranks as the best source for employees that are already ingrained with a culture of customer service and cost consciousness. With this in mind, the utility is always happy to support the career aspirations of its workforce by reimbursing 100 per cent of the tuition costs, up to \$1,500 per year, to employees upgrading their skills with programs directly related to their current jobs.

Healthier, more satisfied employees are key to creating an energetic and dynamic workplace

In the early part of 2015, OPUC launched its Employee Wellness Program to help staff and their families adopt healthier lifestyles. The program features free individual health coaching and consultations with trained wellness counselors on everything from smoking cessation and dealing with back pain, to tips on how to get the whole family to be more physically active. There were also “Lunch and Learns” and team challenges for those who preferred participating in a group setting.



“We have just completed the first year of our Wellness Program. From one-on-one consultations geared towards the creation of a personalized wellness plan, to attending seminars on health topics, to participating in various wellness challenges, something is available to support everyone in the Company on their individual journey to improved health and well-being.”

– Nancy Brandon, CHRL, Manager, Human Resources



Dave Hass, OPUC's Health & Safety Manager, is shown here (centre) accepting the IHSA's COR™ (Certificate of Recognition) on behalf of the utility – Ontario's highest level of workplace safety accreditation.

Given that OPUC's sole shareholder is the City of Oshawa and most of its employees live in the city, the utility recognizes that it has a vested interest in spreading its culture of safety and improving the quality of life in the community it serves.

Spreading OPUC's culture of safety in the community it serves

Educating the community on electrical safety issues was a priority for OPUC during 2015. The utility dedicated a section of its website to providing an extensive list of safety tips and related resources. This included information for homeowners regarding safe practices for yard work and additional information to be shared with children on the dangers presented by the fenced-in transformer compounds and pad-mounted residential transformers. In addition, OPUC's customer invoices included a series of inserts that discussed safety issues around the home.

OPUC continued to champion community safety efforts through outreach presentations given by employees in two local high schools. Also, as a School Partner of the Community Safety Net, an organization that publishes safety books that are distributed to children in Oshawa, the utility designed and supplied a safety-related advertisement and messaging discussing the dangers associated with fallen power lines.

Workplace safety is a COR issue

Through its many years of participation in the Infrastructure Health & Safety Association's (IHSA) ZeroQuest® program, OPUC has successfully embedded a "safety first" culture for its employees, contractors, customers and business partners. After undergoing exhaustive third-party auditing that examined 19 mandatory elements of its health and safety management system and significant numbers of programs and procedures, OPUC was awarded the IHSA's COR™ (Certificate of Recognition). OPUC joined only five other Ontario power utilities that have achieved Ontario's highest recognized level of workplace safety accreditation.



Showing the community the utility's true colours

OPUC happily continued to step up to support employee efforts to help worthy causes such as the Heart&Stroke Big Bike (shown above) which raised \$2,900 last year. However, its outreach efforts for 2015 had a new feel. By putting together groups that truly represented the diverse nature of the organization for outreach events, such as the OPUC team that participated in the Big Brothers Big Sisters of Oshawa-Whitby's 2015 Bowl For Kids Sake, the company is presenting a friendlier, more personal face to its community.

Other charities supported by OPUC in 2015 include:

- BILD Durham Chapter – Golf Tournament (United Way)
- Durham Strategic Energy Alliance – Annual Conference Sponsorship
- Friends of Second Marsh
- Grandview Children's Foundation – Golf Tournament
- Low-income Energy Assistance Program
- Oshawa Chamber of Commerce – Mayors Luncheon & Golf Tournament
- Oshawa Community Health Centre – Mayor's Golf Classic

"Achieving COR™ is the direct result of all employees working hard for safety, and in turn, safety working to keep them safe all day, every day, in everything OPUC does to achieve our business goals and satisfy our customers."

– Dave Hass, CRSP, Health & Safety Manager

Financial Highlights

for the year ended December 31, 2015

(Dollars expressed in thousands unless labelled otherwise)

STRATEGIC OVERVIEW

Oshawa Power and Utilities Corporation (“OPUC” or the “Company”) and its four subsidiaries are incorporated under the *Ontario Business Corporation Act* and were formed to conduct regulated electricity distribution and other non-regulated operations that include generating heat and power, operating a fibre optic network and providing other energy services. OPUC is wholly owned by the Corporation of The City of Oshawa.

OPUC’s four wholly owned subsidiaries include Oshawa PUC Networks Inc. (“OPUCN”), Oshawa PUC Services Inc. (“OPUCS”), Oshawa PUC Energy Services Inc. (“OPUCES”) and 2252112 Ontario Inc. (“2252112”).

Through its principal subsidiary, OPUCN, the Company provides regulated electricity distribution services to businesses and residences in the service area of Oshawa, Ontario.

OPUCN distributed electricity to approximately 56,000 customers in 2015. There were 56,604 customers in December 2015 which is a reported increase of 1,211 or 2.2% over December 2014.

OPUCS provides dark fibre optic network connections to various municipalities, universities, schools, hospitals, enterprise customers and telecommunication carriers. In fibre optic communications networks, dark fibre or unlit fibre refers to dedicated optical fibre lines available for use through lease agreements.

OPUCES operates a 2.4 megawatt natural gas fired cogeneration plant which provides electricity and thermal energy to Durham College and the University of Ontario Institute of Technology (“UOIT”). OPUCES is also actively investigating other cogeneration opportunities within Oshawa and elsewhere in the Province of Ontario.

2252112 has constructed and operates rooftop solar panel projects in Oshawa with total capacity of 547 kilowatts.

REGULATORY ENVIRONMENT

Rate Setting and Regulation

The Ontario Energy Board (“OEB”) has regulatory oversight of electricity matters in the Province of Ontario. The *Ontario Energy Board Act, 1998* (the “Act”) sets out the OEB’s powers to issue a distribution licence which must be obtained by any person or organization owning or operating a distribution system under the Act. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

As part of its regulation of local distribution companies (“LDCs”), the OEB established a multi-year electricity distribution rate setting plan which indicated that, commencing with 2008 rates, a limited number of distributors would be identified each year to file a future test year cost of service application. The plan would run for four years enabling each LDC in the province to rebase its rates once during the four-year plan. For any of the other LDCs seeking approval to change their distribution rates, LDCs would file a mechanistic, formulaic update to their current rates based on the OEB’s incentive regulation mechanism (“IRM”).

In 2012, the OEB introduced new guidelines under its *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* (“RRFE”) Report. The RRFE Report included the following change in relation to new guidelines for rate-setting applicable to LDCs:

“There will be three rate-setting methods: 4th Generation Incentive Rate-setting (suitable for most distributors); Custom Incentive Rate-setting (suitable for those distributors with large or highly variable capital requirements); and, Annual Incentive Rate-setting Index (suitable for distributors with limited incremental capital requirements).”

OPUCN determined the Custom Incentive Rate-Setting (“Custom IR”) to be appropriate given the demands for large and variable capital expenditure requirements relating to programs for renewing aging infrastructure and increasing capacity in response to expansion plans for the City of Oshawa, and filed a Custom IR application for rates effective January 1, 2015 through December 31, 2019.

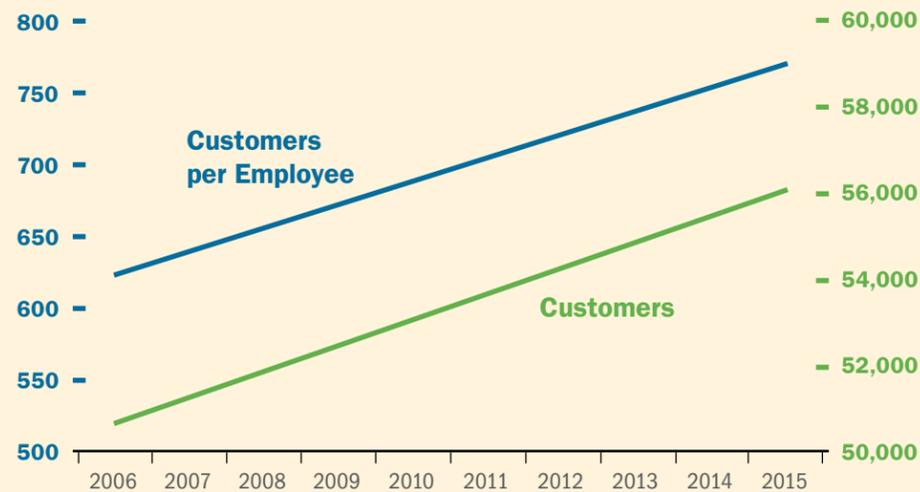
In November 2015, the OEB rendered its decision on OPUCN’s Custom IR application. The decision provided for final rates effective October 1, 2015 through December 31, 2017 and interim rates for the period January 1, 2018 through December 31, 2019 subject to any updates reported to the OEB in relation to OPUCN’s planned activities for those years.

OPUCN believes the OEB’s decision was a “watershed” event for rate-setting and acknowledged OPUCN’s operating efficiencies and capital requirements to renew aging infrastructure and increase capacity to address expected high growth in the City of Oshawa.

Under the OEB’s Custom IR model, approved rate increases are paced strategically over the five-year period to match OPUCN’s capital investment requirements, operating costs, cost of debt and a reasonable rate of return for our shareholder.

Regulatory Assets and Liabilities

Due to the rate-regulated operations of OPUCN, the Company is obliged to record certain amounts in its financial statements as regulatory assets and liabilities. Regulatory assets and liabilities are defined by the OEB and are generally used by rate-regulated electricity distributors to record the difference between amounts charged to customers for consumption of electricity and the cost of that electricity charged to the distributor. These amounts are deferred until the manner and timing of disposition through future rates charged to customers is determined by the OEB.



Customer Growth – Latest 10 Years

REVENUE RECOGNITION

In 2015, OPUC earned rate-regulated revenue primarily from OPUCN and non-regulated revenue from OPUCS, OPUCES and 2252112.

OPUCN earns electricity distribution revenue, based on a fixed monthly service fee combined with a variable charge that reflects the consumption and demand of electricity by its customers. In addition to the regulated distribution charges, OPUCN is required to collect from its customers funds that flow through to third-parties. These flow through amounts include the cost of electricity, line and connection rates, retail transmission rates, wholesale market charges and taxes.

OPUCN also derives other revenue from the completion of service work such as temporary cable installations, pole rentals for third-party communication lines and other miscellaneous operational services.

OPUCS generates revenue by providing dark fibre optic capacity to municipalities, universities, schools, hospitals, enterprise customers and telecommunication carriers.

OPUCES earns revenue from its combined heat and power ("CHP") plant through three sources:

1. Electricity sales to the grid;
2. Thermal energy sales to Durham College and UOIT; and
3. A contingency capacity payment from the Independent Electricity System Operator ("IESO").

Electricity is supplied to the grid and revenue is earned based on the volume of electricity supplied and the hourly Ontario electricity price. Thermal energy is sold to Durham College and UOIT under contract for use in heating campus buildings and domestic hot water. The CHP plant also receives a contingency capacity payment under contract with the IESO for periods when it is not economical to operate the plant.

2252112 owns and operates rooftop solar panel assets and receives revenue from the IESO under contracts issued through the Province's *Green Energy and Green Economy Act*.

RESULTS OF OPERATIONS

International Financial Reporting Standards

The Corporation's consolidated financial statements have been prepared by management in accordance with *International Financial Reporting Standards* ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, including accounting principles prescribed by the OEB in the *Accounting Procedures Handbook for Electric Distribution Utilities* ("AP Handbook"), and reflects the significant accounting policies summarized below.

These are the Corporation's first financial statements prepared in accordance with IFRS. In prior years, the Corporation prepared its financial statements in accordance with *Canadian Generally Accepted Accounting Principles* ("Canadian GAAP"). The Corporation has restated its opening balance sheet as at January 1, 2014, its IFRS transition date, by applying IFRS retrospectively, except with regard to specific items, in respect of which IFRS 1, *First-time Adoption of IFRS* either prohibits or modifies the retrospective application of IFRS.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. As a result, prior period amounts for 2014 have been restated in accordance with IFRS.

Revenue

Revenue includes the sale of electrical energy which OPUCN collects from its customers and passes onto third-parties through the IESO. These flow-through charges include the cost of electricity, line and connection fees, retail transmission fees, wholesale market charges and taxes.

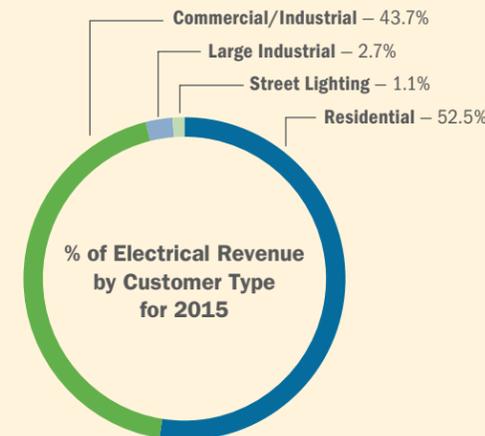
Distribution revenue is recognized at approved rates for the delivery of electricity by OPUCN to its customers.

The following table summarizes the sale of electrical energy and distribution revenue provided under regulation from each of OPUCN's major customer categories for 2015 and 2014, comparatively:

Customer Category:	2015			2014		
	Energy	Distribution	Total	Energy	Distribution	Total
Residential	\$67,866	\$11,609	\$79,475	\$62,570	\$11,100	\$73,670
Commercial/Industrial (less than 5,000 kW)	59,226	6,923	66,149	54,595	6,595	61,190
Large Industrial (5,000 kW and above)	3,830	249	4,079	3,948	239	4,187
Street Lighting	1,014	688	1,702	947	640	1,587
Total Regulated Revenue	\$131,936	\$19,469	\$151,405	\$122,060	\$18,574	\$140,634

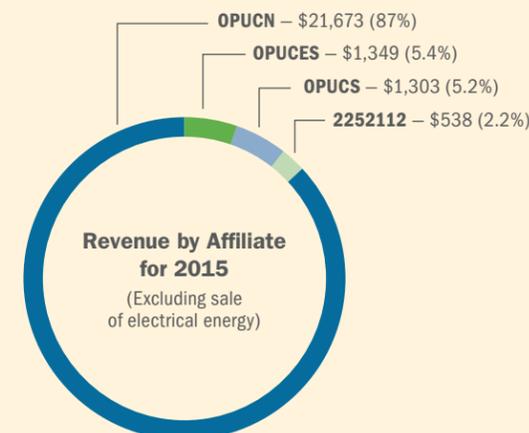
Revenue from the sale of electrical energy passed onto third-parties increased 8.1% in 2015 when compared with 2014; an increase of \$9,876.

Distribution revenue for 2015 increased by \$895, or 4.8% when compared with 2014.



Revenue also includes: combined heat and power plant from OPUCES; regulated service revenue including late fees, connection charges and other regulated services performed by OPUCN; OPUCS's fibre optic revenue from long-term leases of its dark fibre network; deferred revenue received from real estate developers for their share of capital invested in distribution infrastructure; electricity generation from 2252112's solar panel installations; and, other miscellaneous services provided by the Company.

Revenue from these services totalled \$5,394 in 2015 compared with \$5,143 in 2014; an increase of \$251 or 4.9%. OPUCES revenue increased by \$197 or 17.2% which explains the majority of the increase year-over-year.



Expenses

Cost of Electrical Energy

Cost of electrical energy is the offset to sale of electrical energy collected on behalf of third-parties. Sale of electrical energy less cost of electrical energy resulted in a gain of \$593 in 2015 compared with a (loss) of \$1,970 in 2014. The gain/(loss) on sale of electrical energy is offset by net movements in regulatory balances, net of tax reported after net income for the year; (\$494) in 2015 and \$1,970 in 2014.

Net Operations, Maintenance and Administrative Expenses

Net operations, maintenance and administrative ("OM&A") expenses increased by \$700 in 2015 to \$12,933, when compared with 2014; an increase of 5.7%.

Labour costs, including wages and benefits, increased by \$185 (2.9%); and, subcontractors, legal and audit, and consulting services increased by \$671 or 35.1%.

Labour costs increased mainly due to inflation and succession planning related to retirements.

Subcontractor, legal and audit, and consulting cost increases related primarily to strategic initiatives including merger and acquisition and unregulated business development.

Year over year changes to other OM&A expenses, which include costs related to facilities, maintenance and repairs to the electricity distribution system, vehicles, licenses and permits, and provision for doubtful accounts, resulted in a net decrease of \$156.



Total Net Revenue and Net OM&A Expenses Over Latest 10 Years (in \$ millions)

Total net revenue excludes sale of electrical energy and deferred developer contributions. These items are reported differently under IFRS and Canadian GAAP and have been excluded to preserve historical comparatives.

EBITDA

EBITDA is defined by the Company as income from operations excluding sale and cost of electrical energy, deferred developer contributions, depreciation and amortization, interest, and provision for payments in lieu of income taxes. The Company is reporting EBITDA in the belief that it may be useful for certain readers of the Financial Statements as an important measure of the Company's performance.

EBITDA increased by \$379, or 3.5% from \$10,718 in 2014 to \$11,097 in 2015.



EBITDA Over Latest 10 Years (in \$ millions)

As part of its cost of service application to rebase distribution rates effective January 1, 2012, OPUCN adopted new depreciation rates in compliance with OEB requirements. Depreciation expense decreased which resulted in a reduction to customer rates and lower regulated revenue. Net income in 2012 was not affected by the adoption of new depreciation rates.

Net Income After Net Movements in Regulatory Balances

Net income after net movements in regulatory balances is reported before other comprehensive income/(loss). Net income after net movements in regulatory balances reported under IFRS is comparable to net income for the year reported under Canadian GAAP.

Net income after net movements in regulatory balances for 2015 was \$4,776 compared to \$4,473 in 2014; an increase of \$303. Although the OEB did not approve rate increases effective January 1, 2015 (OEB approved rates effective October 1, 2015), OPUC was able to produce revenue increases of \$1,079 (excluding sale of electrical energy and deferred developer contributions) while keeping OM&A expenses in line with increases totalling \$700.

Total Comprehensive Income for the Year

Total comprehensive income for the year is a reporting requirement under IFRS which incorporates other comprehensive income/(loss) previously reported in a separate statement under Canadian GAAP. The Company holds interest rate swaps on its term debt as a hedge against volatility in interest rates. Other comprehensive income/(loss) records the performance of the swaps against market rates.

Total comprehensive income for the year in the amount of \$3,906 increased \$155 compared with the previous year.

LIQUIDITY AND CAPITAL RESOURCES

Summary

The net cash (cash less bank overdraft) as at December 31, 2015 was \$12,855 compared to \$2,049 on December 31, 2014.

The Company has sufficient liquidity to support its financial obligations and execute its operating and strategic plans. Based upon financial covenants with its lenders and industry acceptable norms for its capital structure, the Company has access to sufficient capital as required to support future development of its businesses.

In 2014, OPUCN developed a detailed business and rate case for a five-year period (2015 - 2019) which was submitted for review and approval with the OEB. Upon receiving OEB's approval in November 2015, this strategic exercise will provide sufficient assurance of funding required to compensate the Company for its required investments to rejuvenate the electricity distribution system and increase capacity to match the expected rapid growth in the City of Oshawa.

Cash Provided by Operating Activities

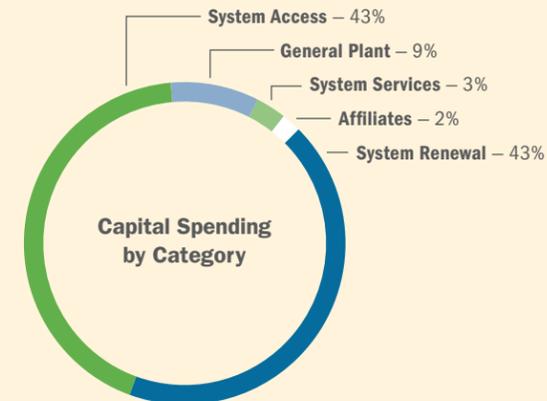
During 2015, operating activities reported under IFRS generated \$12,223 compared with \$11,590 in 2014; an increase of \$633.

Cash provided by operating activities before changes in non-cash working capital was \$1,777 more in 2015 than in 2014. Changes in non-cash working capital reduced cash provided by operating activities in 2015 by \$34 compared with an increase of \$1,110 in 2014.

Under IFRS, changes in non-cash working capital included increases of \$2,275 and \$1,851 to deferred developer contributions for 2015 and 2014 respectively. Under Canadian GAAP, developer contributions in aid of construction was reported as an offset to additions to property, plant and equipment in investing activities.

Cash Used in Investing Activities

Cash used in investing activities in 2015 and 2014 was \$14,730 and \$14,406 respectively; an increase of \$324 for additions to property, plant and equipment.



Cash Provided/(Used) in Financing Activities

Cash provided by financing activities was \$12,477 in 2015 compared with cash used of \$1,231 in 2014.

On June 17, 2015 the Company incurred additional debt in the amount of \$15,000 to refinance capital expenditures made over the last several years. The debt is due in one repayment obligation at maturity in June 2022 and is structured with a seven-year interest rate swap agreement with the Bank, effectively converting the term loan to a fixed rate interest rate of 2.71%.

Included in cash used in financing activities were dividend payments made to the Company's shareholder in the amount of \$1,800 and \$1,700 for 2015 and 2014 respectively.

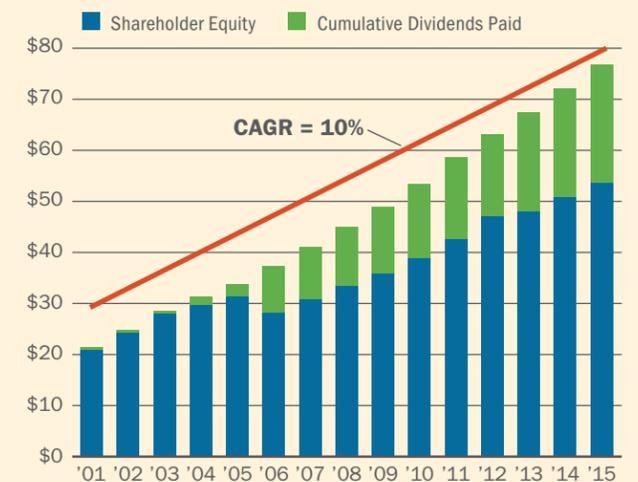
The Company accessed its operating line of credit in 2014 and repaid the balance in 2015.

Other financing activities include the repayment of long-term debt on OPUCES's long-term debt related to its CHP plant and changes to customer advance deposits.

Shareholder Value

Shareholder value is a term used to define the Company's shareholder equity plus cumulative dividends paid (unadjusted for accumulated other comprehensive loss; that is, mid-contract gains or losses on financial instruments used to provide interest rate certainty). Cumulative shareholder value as of December 31, 2015, has increased to \$76.7 million which represents a consistent compound annual growth rate ("CAGR") of approximately 10% since 2001.

The following chart is the cumulative shareholder value since 2001 and portrays a consistent focus on maximizing shareholder value which provides a reliable cash flow stream to benefit the ratepayers of the City of Oshawa:



Shareholder Equity & Cumulative Dividends Paid (in \$ millions)

OUTLOOK

Rates

In November 2015, the OEB rendered its decision in response to OPUCN's Custom IR application for rates effective January 1, 2015 and continuing throughout a five-year period ending December 31, 2019.

In its decision, the OEB acknowledged OPUCN's request for large scale capital investments, continued efficiencies in OM&A and the opportunity for the utility to earn a fair and reasonable return for its shareholder. Based on this, the OEB approved final rates for the period October 1, 2015 through December 31, 2017 and interim rates for the remaining two years of the rate term applied for under the Custom IR methodology. Rates for 2018 and 2019 may change to reflect significant changes to the Company's forecast for capital expenditures and other operating variables.

Under the RRFE, the Custom IR method allows LDCs with significantly large multi-year or highly variable investment commitments in capital expenditures with relative certainty of timing and spending levels to adjust their rates annually for a minimum five-year period, taking into account the forecast investments in capital. As a result, rate increases are appropriately paced over the period avoiding sharp increases that occurred under the former rate-setting regime; and, LDCs are able to sustain regulated profitability over the period.

The Ontario energy market will see continued growth in electricity prices as the electrical distribution landscape modernizes. OPUCN is no exception as it prepares for planned growth over the next five years to fund significant capital expansion plans. Approved electricity rates will facilitate the growth plans of the City of Oshawa; renew distribution infrastructure; and develop and improve distribution grid reliability. OPUCN's approved rate application includes capital expenditures that exceed \$75 million over the 2015-2019 period.

Under this rate-setting plan, the Company is confident that the prudent investments in infrastructure required to service the needs of its growing community will provide superior financial returns in the future while upgrading and modernizing the distribution grid will sustain reliability and provide for improved responsiveness.

Conservation and Demand Management (“CDM”)

The Minister of Energy for Ontario directed the OEB to amend the electricity distribution licences of all LDCs to include a condition that requires electricity distributors to make CDM programs available to all customer segments in their licensed service areas over the period beginning January 1, 2015 through December 31, 2020. Additionally, the Minister of Energy issued a direction to require the IESO to coordinate, support and fund the delivery of CDM programs through electricity distributors.

As a result, the IESO implemented the new six-year *Conservation First Framework* with an objective to reduce electricity consumption by a total of 7 terawatt hours between January 1, 2015 and December 31, 2020, of which OPUCN's share is 73 GWh of energy savings.

In Q2 2015, the IESO approved OPUCN's CDM plan, which provides details on the nine Save On Energy programs OPUCN will offer to residential, low-income, commercial/institutional and industrial customers throughout the *Conservation First Framework* with a budget of \$20 million to be recovered from the Province.

In September 2015, OPUCN hired a dedicated staff member to oversee the delivery of CDM programs. The new role includes administration over the \$20 million budget from the Province, as well as the management of the 73 GWh target. The CDM Manager will also be responsible for regulatory requirements and developing business opportunities associated with conservation, collaboration and renewable energy.

To ramp-up for the *Conservation First Framework*, OPUCN undertook a competitive procurement process during Q4 2015 and Q1 2016. Through this process, two expert service providers were secured. These service providers will assist with the delivery of residential and commercial/institutional programs; both of which involve interacting with thousands of OPUCN customers each year.

The launch of the *Conservation First Framework* was highly positive for OPUCN. In December 2015, 17 OPUCN team members collaborated to facilitate the commissioning of the largest Save On Energy conservation project undertaken to-date in the service territory; the Lakeridge Health combined heat and power plant. Lakeridge's highly efficient twin-engine 1.6 MW CHP plant takes the equivalent of an estimated 1,100 homes off the grid and will benefit the hospital for years to come. OPUCN was proud to award a \$1.7 million Save On Energy incentive for the project in a ceremony held on Earth Day 2016, which was attended by Terry Young, the IESO's Vice President of Conservation and Corporate Relations.

Since the framework launch, OPUCN has also initiated an innovative digital pilot that aims to engage residential customers and help them save between 2% - 5% on their energy bills. The pilot, called HomeBeat™, will offer tailored insights into energy usage to roughly 500 customers, via an online portal and smartphone app. To do this, OPUCN partnered with a technology specialist that has expertise in interpreting smart meter data. To date, interest in the pilot has exceeded expectations; demonstrating strong customer desire for this type of content and interaction from LDCs.

As of March 2016, OPUCN achieved roughly 18% of its *Conservation First Framework* target. Through offering a balanced approach that pairs a suite of tried-and-tested programs with innovative initiatives, OPUCN is poised to succeed in the new *Conservation First Framework*.

Fulfilling the *Conservation First Framework*, OPUCN will deliver conservation programs that promote renewable and clean energy to meet the needs of Oshawa residents and businesses.

Ontario's Energy Sector Outlook

The Premier's Advisory Council on Government Assets, mandated to examine how to get the most out of key government assets to generate better returns and revenues for Ontarians. The council recommended ways to maximize the value and performance of Hydro One, OPG and the LCBO to help deliver on the multi-year targets set out in the Province's 2014 Budget.

The report was accepted by the Premier and the government began pursuing the means to address all of its recommendations, including the partial sale of the Province's interest in Hydro One through an Initial Public Offering; the merger of Hydro One Brampton Networks Inc. with Enersource Corporation, PowerStream Holdings Inc. and Horizon Holdings Inc.; and, the reduction of the transfer tax and departure tax from the current 33%.

The intended objective of these recommendations is to strengthen competition in the electricity distribution sector and increase the capacity of LDCs to motivate further consolidation.

In response to the Province's stated objectives, the Board and management of OPUC will: continue to monitor the shifting landscape of Ontario's energy sector; leverage its current strengths to maximize value; comply with regulatory requirements defined by the OEB; and, capitalize on opportunities presented in its business environment to offer the best options to its shareholder including possible strategic mergers and acquisitions.

On April 28, 2016, the Company announced they are considering a merger which would create a single utility covering the majority of Durham Region's population. Officials announced the signing of a memorandum of understanding to consider potential benefits and the feasibility of a merger among Veridian Corporation, Oshawa Power and Utilities Corporation and Whitby Hydro Energy.

Regulatory Developments

Revenue Decoupling for Residential Customers

The OEB is charged with the responsibility of approving and setting rates for the transmission and distribution of electricity and for ensuring that LDCs fulfill their obligations to service customers. The OEB developed a new policy regarding rate design for residential electricity customers whereby distribution delivery costs will be recovered through a fixed monthly charge from the residential customer class, and this new rate design will be phased-in over a four-year period to manage any bill impacts beginning on January 1, 2016.

In its report, *A New Distribution Rate Design for Residential Electricity Customers* (EB-2012-0410) (the “Report”) issued on April 2, 2015, the OEB confirmed that distribution rates for residential customers are to move to a fixed monthly distribution charge over a transition period starting in 2016.

The Report allows for exceptions in certain circumstances and in relation to its decision on OPUCN's rate application, the OEB determined that given the number of rate changes to be implemented on January 1, 2016 in accordance with its decision, the OEB will not require OPUCN to begin the transition to fully fixed residential rates until 2017.

Elimination of Debt Retirement Charge

As of January 1, 2016, the Debt Retirement Charge and the Clean Energy Benefit have been eliminated for residential customers. Concurrent with the elimination of these programs for residential customers, the OEB has implemented the Ontario Electricity Support Program (“OESP”), which provides ongoing rate assistance to low-income customers. The OESP is ratepayer funded and provides an estimated monthly credit ranging between \$30 and \$75 for qualified individuals. As of April 30, 701 customers have qualified to receive the OESP credit in Oshawa.

Cap and Trade Regulatory Proposal

The Ministry of Environment introduced *Bill 172: Climate Change Mitigation and Low-Carbon Economy Act 2016* which is an enabling legislation to enact the *Cap and Trade Regulatory Proposal* intended to commence on January 1, 2017. Preliminary targets are set at a reduction of 15% of greenhouse gases (from 1990 levels) by the end of 2020; 37% by the end of 2030; and 80% by the end of 2050. Bill 172 authorizes the Minister of Environment to create emission allowances and to distribute those to registered participants, as well as establish the *Greenhouse Gas Reduction Account* which will collect and hold the proceeds from the distribution of emissions allowances (as well as administrative penalties). The legislation is currently before the legislature for comment.

Summary

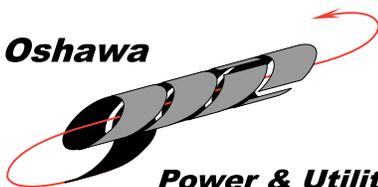
OPUC will continue to focus on developing and improving its distribution grid reliability, safe work practices and customer centric values.

Fulfilling the mandate to supply electricity to the residents of The City of Oshawa at competitive rates continues to be the key objective of the Company. OPUC plans to continue development of its core business while diversifying and growing other business units that include renewable energy and fibre optic communications on a cost-effective basis.

OPUC will take a responsible approach to new business development that will leverage its current strengths, comply with regulatory requirements defined by the OEB and capitalize on opportunities presented in its business environment. Strategically, the Company plans to diversify its business lines by focusing on low-risk, compatible opportunities that offer long-term stable returns for its shareholder.

OPUC audited financial statements are available at www.opuc.on.ca

Oshawa



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