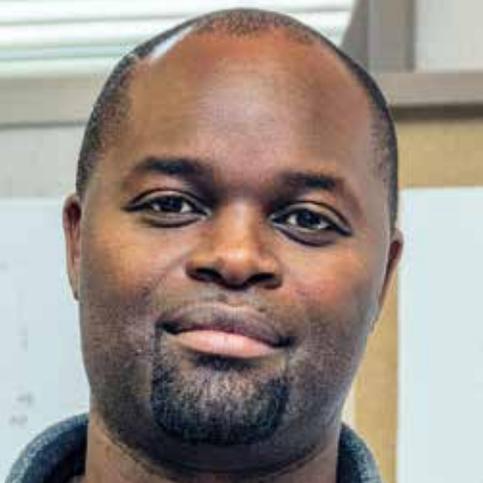




THE
POWER OF
WE

2018 Annual Report
**OSHAWA
POWER**





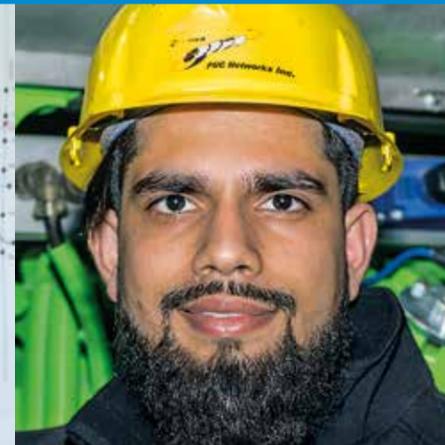
THE POWER OF
WE

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WE
ARE OSHAWA POWER

We safely and efficiently manage our regulated electricity distribution network, while revitalizing our assets and ensuring capacity to provide for our customers' needs both today and in the future. With a strategic focus on diversification, we are making prudent investments in unregulated initiatives to augment solid returns from our regulated business.



Oshawa Power at a glance

Our assets



59,582

Total Number of Customers

145.5 km²

Service Area



2.4 MW

Output of Combined Heat and Power (CHP) Plant

547 kW

Generation Assets (not including CHP)



106.5 km

Fibre Optic Network Length



1,119,129,067 kWh

Energy Supplied

232.5 MW

Total Peak Demand Served

697.6 MVA

Total Maximum Rated Capacity of All Municipal Substations



9

Municipal Substations

10,447

Number of Poles

522.6 km

Overhead Primary Circuit Length

461.7 km

Underground Primary Cable Circuit Length

6,722

Distribution Transformers

Our family of companies



Oshawa PUC Networks Inc.

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



Oshawa PUC Services Inc.

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



Oshawa PUC Energy Services Inc.

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



2252112 Ontario Inc.

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

Our 2018 Boards of Directors

Denise Carpenter, Chair
Grant Buchanan
Terry Caputo
Jeff Coles

Donna Kingelin
Lou Meehan
Marc Rosen
Robert Watson

JOINT LETTER FROM THE CHAIR AND PRESIDENT & CEO

We work for Oshawa

We are linemen. We are customer service representatives. We are engineers.

We are dedicated energy industry professionals who make up Oshawa Power and Utilities Corporation (Oshawa Power). Every day, we go the extra mile to safely and reliably deliver electricity and energy-related services; provide the lowest residential distribution rates for power in Durham Region; grow the value of our company; and maintain a steady stream of revenue that our shareholder, the City of Oshawa (the City), uses in delivering the services and infrastructure that make Oshawa a vibrant community.

We bring value to our community. The income we provide the City has grown to the point where it surpasses all but the largest corporate contributions to the City's tax base. 2018 was a stellar fiscal year for Oshawa Power. We take great pride in declaring a dividend paid to our shareholder of \$2.5 million, up from \$2.3 million in 2017. This result is based on net income of \$6.4 million in 2018, up from \$5.7 million in 2017 – remarkable in light of a \$300,000 shortfall that was brought on by regulatory changes that impacted our ability to collect on accounts.

We are growing in step with Oshawa. The record 1,233 new connections we made during 2018 represent a two per cent increase in our customer base. To meet the continuing growth in demand, our annual investment in expanding and enhancing our distribution infrastructure reached a new peak of \$19 million. Most notably, we completed construction of the Municipal Station 9 with customer connections scheduled in the summer of 2019. This state-of-the-art facility will also improve our outage response capacity by providing a backup control room and a space for managers and CSRs to work should our Simcoe Street facility become unavailable.

Construction continued on Hydro One's Enfield Transformer Station which will provide an important third point of supply for our distribution network when it is commissioned in June 2019.

We consistently punch well above our weight.

This was demonstrated by our performance in all major categories of the OEB scorecard – the provincial regulator's report card on key areas such as Service Quality, System Reliability, Customer Satisfaction and Cost Control. In an industry where scale is considered an advantage, most larger utilities score well below Oshawa Power. We are rated as a Cohort 2 Utility, something we are proud of, but we always strive to be better. Oshawa Power is putting programs in place to become a truly great company – a company that is Best in Class!

We are reliable. Oshawa Power demonstrated quick response in the aftermath of the violent windstorm which struck Oshawa just after business hours on Friday, May 4. It was all hands on deck for our managers, system operators and field crews who returned to their work stations to get affected customers back online as quickly as possible. Our new Outage Management System (OMS) passed its most severe test to date with flying colours. The OMS rapidly pinpointed outage areas; automatically communicated outage information to restoration crews,

system operators and customers; and helped operators get our entire system restored within four hours of the storm passing through our community.



Ivano Labricciosa, President & CEO (left) and Denise Carpenter, Chair (right)

We are entrepreneurial. The full impact of Oshawa Power's long-term business strategy of augmenting revenues gained from our regulated business by leveraging our energy sector expertise through our unregulated ventures was evident throughout 2018. During this time, we commissioned and began managing the operation of Regent Park Energy Inc.'s district energy plant which features three 1.5 MW Combined Heat and Power (CHP) engines. In addition, we installed a six-engine CHP system that we will manage and operate to help ensure the sustained occupancy of a second massive social housing complex in Toronto. We were also busy locally, putting plans in motion to install co-generation plants at three Oshawa recreation centres so that we can supply electricity, thermal energy and backup power to the facilities. In addition, we worked with a transit company in developing a plan that will see us build and operate charging stations for the electric buses they plan to purchase.

We drive innovation. During 2018, we succeeded in developing our first complex data analytic solutions using our new Pi System, a repository where all the company's data is warehoused. Taking full advantage of Pi will allow Oshawa Power to continue to add features to our network that are typically only found in utilities with more than 250,000 customers. During 2018, we also launched E-Mission, our comprehensive electric vehicle (EV) strategy aimed at preparing our infrastructure, community and customers for the increasing electrification of transportation. E-Mission included a detailed EV survey with more than 300 Durham Region participants. This research is helping us understand the impact full-scale EV adoption will have on our network. Also, we began our Peak Performance pilot program where 2,300 of our customers participated in a study that examined how providing optional pricing plans could help them shift their consumption to off-peak periods.

We put safety first. January 2018 saw us achieve 250,000 hours without a lost-time incident. By year-end we were well on our way to 500,000 hours. In addition, we passed our Infrastructure Health and Safety Association COR™ external company-wide audit of safety practices with a 94 per cent grade. Oshawa Power also promoted safety awareness to construction trades in our community with our first annual Contractor Safety Day seminar.

We reach out to customers on their terms. 2018 saw Oshawa Power complete a major upgrade of our website which included making the site more user-friendly, increasing the number of self-serve features and revamping our online capital project map. During 2018, we produced 15 short videos on energy-related issues, public safety and customer service that customers can access through our website. Our social media presence expanded with our Twitter followers increasing by 45 per cent during the year.

Oshawa Power is putting programs in place to become a truly great company...

We are future ready. Our success in revitalizing our workforce to stay ahead of shifting demographics was apparent in the many new faces that could be seen throughout our business during 2018. This included hiring six permanent part-time CSRs, seven temporary staff, five interns, two unregulated business staff and nine permanent full-time staff. Also, we continued with our program of helping employees reach their full potential by providing 2,433 hours of training in 2018.

We are about more than keeping the lights on. As a valuable part of the social fabric of our community, Oshawa Power supports its employees in their countless individual and small group efforts to assist worthy causes in our community. In addition, teams of Oshawa Power employees could be seen at a series of nine public outreach events over the course of 2018. These were opportunities for our customers to put a face to the utility and gain a fuller understanding of our role in their community. In addition, we provided our expertise in helping the Region of Durham develop the *Durham Community Energy Plan*, a policy framework for creating a low-carbon future for our community.

We are here to stay. Recent events indicate that we are entering a period of unprecedented challenges and uncertainty as Oshawa and our industry continue to transform themselves. However, we remain steadfast in our commitment to contributing to our community wherever and in whatever way we can. As long as our customers, our shareholder and our community remain the focus of everything we do, we are confident that we will continue to be an integral part of Oshawa's ongoing success.


Denise Carpenter
Chair


Ivano Labricciosa
President & CEO

We are growing...



...our infrastructure

New transformer stations are transforming our network

- With Oshawa Power's new state-of-the-art Municipal Station 9 (MS9) being energized in November 2018, the 44 kV to 13.8 kV distribution station is ready for connection to its first customers in the summer of 2019.
- Construction began on Hydro One's 230 kV to 44 kV Enfield Transformer Station near Oshawa's north-east border in Clarington. When it comes on line in June of 2019, the station will help meet Oshawa's growing demand by providing a third point of supply and also give the utility's system operators greater freedom in moving load on the network.



A record 1,233 new customers added during 2018

With all of the connections being completed within five days of receiving authorization to connect, the utility outperformed the Ontario Energy Board's 90 per cent benchmark. Now, Oshawa Power has set itself the ambitious goal of having all connections made within two days of receiving notice.

...our people

Training programs are making the utility future-ready

During 2018, Oshawa Power refocused its efforts to promote professional development throughout the company. As a result, the utility's tuition reimbursement program is being accessed by more employees than ever. With the support of the company, a record 14 ambitious employees used their personal time to participate in a wide array of programs delivered by universities, community colleges and trade associations.



30%
of Oshawa Power employees will be eligible to retire over the next seven years.



34
employees hired
by Oshawa Power during 2018.



2,433 hours
of training was provided by Oshawa Power in 2018.



Convergence leads to job functions merging

The rapid pace of technological advancement over the past decade has resulted in the convergence of job functions in the meter technician and power maintenance electrician fields. During 2018, with cooperation of its union, Local 636 of the International Brotherhood of Electrical Workers, Oshawa Power developed a six-year job-harmonization program that will see technicians from the two areas merge to form the Distribution Technologist Group. The plan also includes training the technicians in maintenance of the utility's dark fibre communication assets.

...our operations

Oshawa Power will look very different in the near future

During 2018, the utility's Human Resources team worked diligently in executing a strategy for resolving two industry-wide issues before they impact the company: transferring knowledge from senior employees; and ensuring that the right people are in place to counter the effects of disruptive technologies. Many new faces could be seen throughout the utility's operations during 2018. This included 14 summer students, 5 co-op students and 3 new graduates/interns.



We are relied on...

...to keep
the lights on

Major outage gets major response

The “all-hands-on-deck” call went out for crews, operators and managers to return to work when a windstorm packing gusts of 120 km/hr. blew through Oshawa during the evening rush hour of May 4. Power was restored to the entire service territory within four hours, except for a severely damaged section along Thornton Road near Highway 401. The winds had toppled a length of 44 kV line that included nine poles and dropped live lines onto a dealership lot where a series of recreational vehicles were damaged. Crews worked around the clock to restore service. When it was discovered that a wedding reception scheduled to take place at the nearby Tosca Banquet Centre was going to be cancelled as a result of the outage, crews took extra care to ensure that the facility had power so that the happy couple’s event could go on as planned.

Network investments continue to pay reliability dividends

Oshawa Power’s Ontario Energy Board 2017 *Electric Utility Scorecard* results are consistently ahead of its Durham Region peers for the key reliability metrics.

**AVERAGE
NUMBER OF HOURS
THAT POWER TO A CUSTOMER
WAS INTERRUPTED PER YEAR**

3.23 hrs.



Durham Region
Average

.73 hrs.



Oshawa
Power

**AVERAGE
NUMBER OF TIMES
THAT POWER TO A CUSTOMER
WAS INTERRUPTED PER YEAR**

1.54



Durham Region
Average

.98



Oshawa
Power

...to always
be there

New backup control room always has the utility’s back

Construction of MS9 provided the utility the opportunity to put in place a long-needed backup control room. Should the utility’s main control room become unavailable for any reason, Oshawa Power can operate the critical elements of the utility’s business from a dedicated area in the new facility. In addition to the control room, the facility provides a space where customer service representatives can maintain contact with customers and managers can direct efforts to restore the system to full functionality.

The May 4 windstorm put Oshawa Power’s Outage Management System (OMS) to its most severe test to date



The OMS seamlessly detected and reported areas affected by outages, communicated with crews working to restore power in the field, and provided status updates to operators in the control room and to customers via the company’s social media feeds. In short, it passed with flying colours.

...for privacy
and security

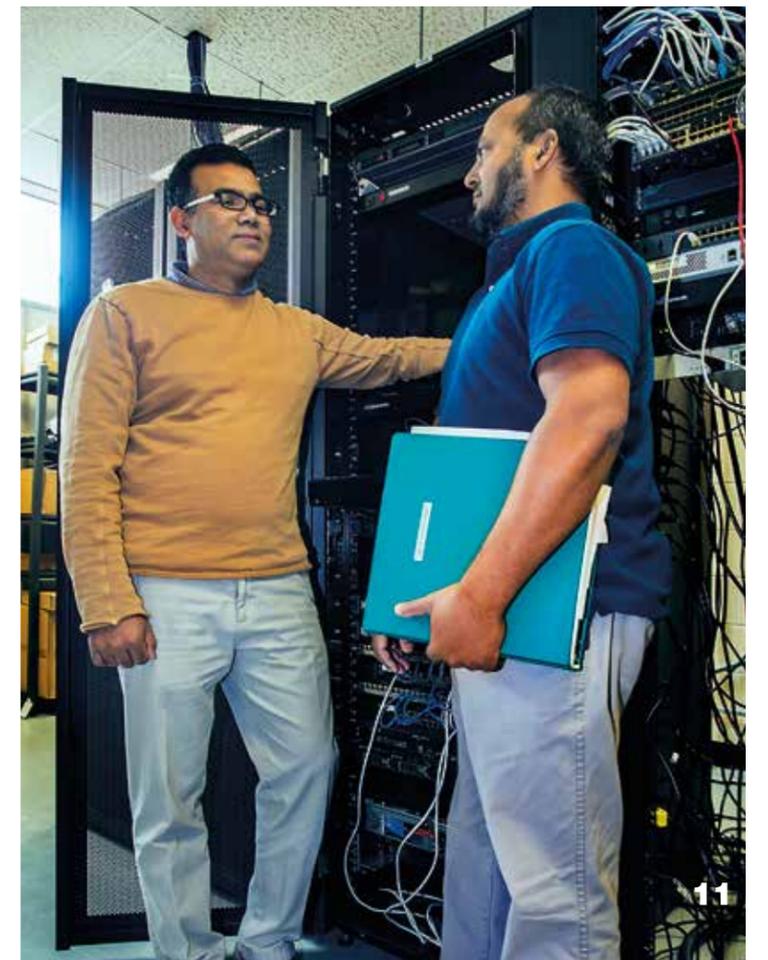
Cyber protection for the utility and its customers

When the OEB released its *Ontario Cyber Security Framework* in late 2017, it was an urgent call to the province’s utilities to harden their IT networks against unwanted intrusions that include hacking, malware and viruses. Oshawa Power updated portions of its IT infrastructure in 2018, including migrating to a next-generation firewall that uses artificial intelligence capabilities to automatically detect and remediate nefarious activity, and moving to disk-based storage for additional backup capabilities.

Even with the heavy lifting required, the upgrades were completed well ahead of the year-end deadline.



Photo courtesy of Joseph S. Tompai



We reach out to our customers...

...whenever they want

Improving customer service requires flexibility

During 2018, six permanent part-time customer service representatives (CSR) were hired so that the utility could more effectively match call centre staffing to the varying levels of incoming call traffic. The Customer Service department also implemented a new communications strategy that focuses on supervisors providing more immediate one-on-one feedback to CSRs. In addition, the utility hosted industry experts who presented valuable content on improving performance in a contact centre environment.

Oshawa Power's digital profile is growing at a rapid pace



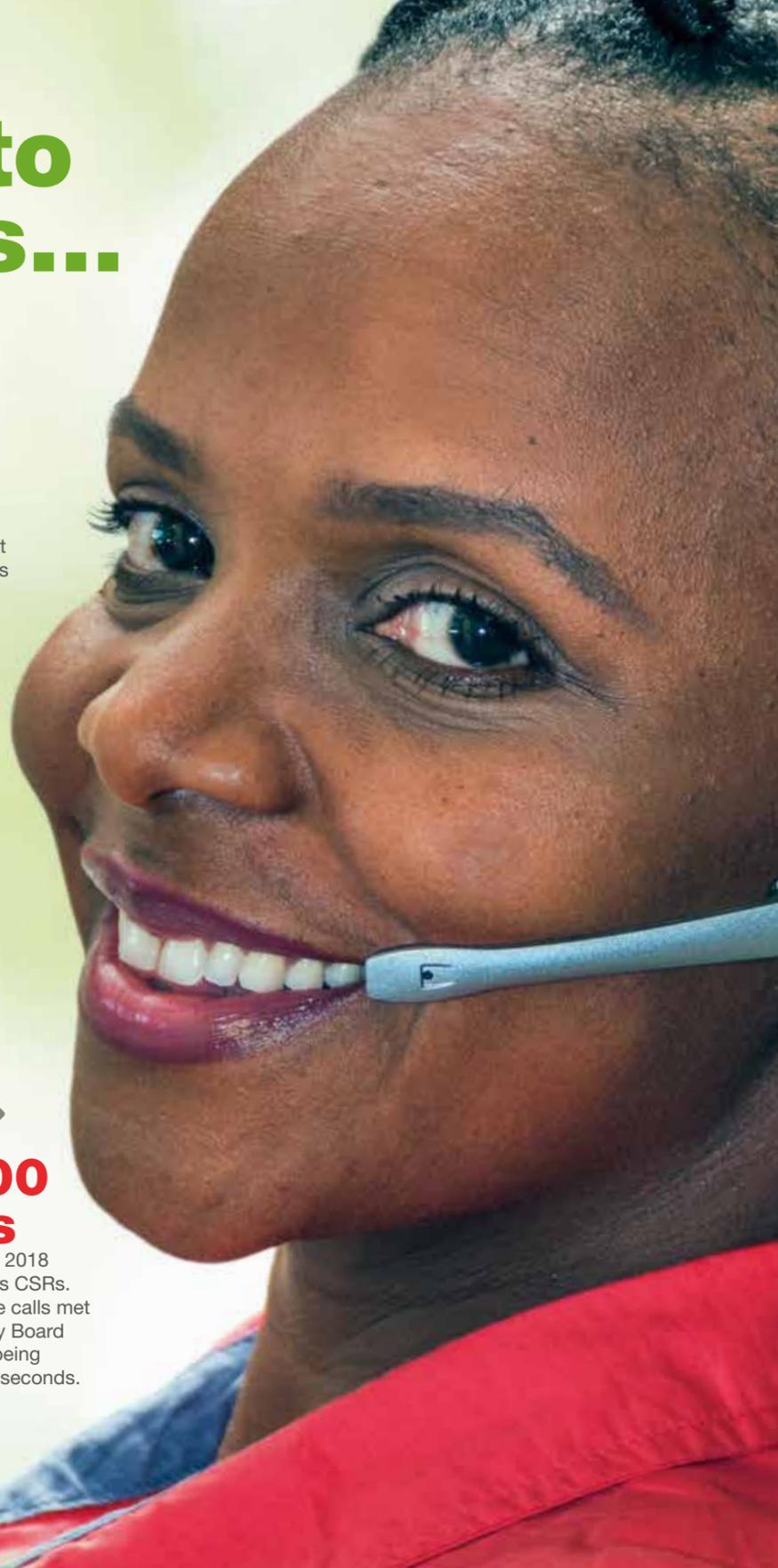
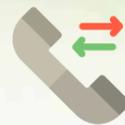
Making huge strides in customer satisfaction

The third-party industry-wide 2018 UtilityPULSE™ survey shows that Oshawa Power's dedication to improving customer satisfaction has yielded considerable improvements over the past five years.



58,000 calls

were received in 2018 by Oshawa Power's CSRs. Ninety per cent of the calls met the Ontario Energy Board benchmark of being answered within 30 seconds.



...wherever they want



Developer Day was all about connecting

As the number of requests from developers reached a new peak in 2018, Oshawa Power continued to look for innovative ways to help construction companies better navigate its processes. During the morning of June 25, the utility held its first Developer Day conference at the Oshawa Civic Centre. Twenty guests received detailed presentations on topics that included: who developers are to engage with at the utility; forms and documentation developers need to submit; and timelines necessary to ensure the connection process occurs as quickly and efficiently as possible.

Public outreach reaches new levels

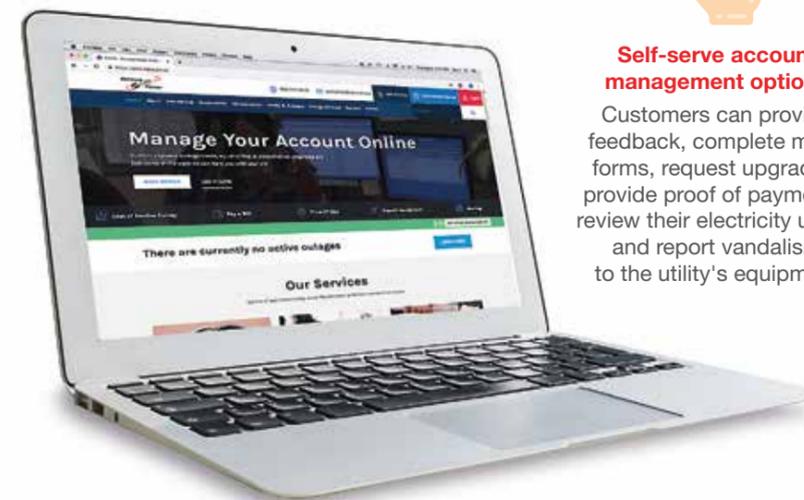
With the enthusiastic participation of staff volunteers from all areas of the company, the utility was highly visible in the community as an exhibitor at a number of events during 2018. This included Oshawa Power playing host at two of its own Customer Connect events held at City-owned facilities in May and November. More than 200 attendees had the chance to learn first-hand from utility staff about all aspects of the company, including public safety, customer service, outage management and innovation.



...however they want

Website receives major overhaul (and a wealth of new and upgraded features)

In response to customer demand, the company's website was revamped in 2018. This included giving the site a new user-friendly architecture that is easier to navigate and adding a host of new features.



Self-serve account management options

Customers can provide feedback, complete move forms, request upgrades, provide proof of payments, review their electricity usage and report vandalism to the utility's equipment



Contractor's Corner

A section of the website where contractors can find the utility's specifications and forms that they can download, complete and email in



Additional video content

Including corporate, health and safety, and conservation videos



E-Mission web portal

Providing a wide array of information to "educate, empower and evolve" current and potential electric vehicle owners



Capital Rebuild Map

Upgraded during 2018 to show the status of capital projects

We are expanding our business...

...beyond Oshawa

Oshawa Power's largest distributed generation system was constructed in 2018

The utility managed the construction of a district energy system where three 1.5 MW Combined Heat and Power (CHP) engines will supply electricity and heat to residential and commercial tenants of a massive downtown Toronto social housing complex that is in the process of being expanded to 35 buildings. When the system, which also supplies electricity to Ontario's power grid, is fully commissioned, the utility will take over managing its operation. In addition, Oshawa Power plans to study how to further optimize the system.



Sustained-occupancy solutions for social housing

In 2018, Oshawa Power oversaw the installation and integration of a CHP system at an expansive three-building social housing complex in Toronto. The system, which is scheduled to be commissioned in the summer of 2019, will utilize six natural-gas fired engines to provide electricity and thermal energy for everyday use and to allow critical functions such as elevator service, heating and lighting to be maintained during prolonged grid outages. Based on the project's success, Toronto social housing providers are looking to Oshawa Power to collaborate in the development of similar solutions for dozens of their buildings.

...close to home

Expanding our energy generation fleet at City-run facilities

During 2018, Oshawa Power conducted an engineering study to examine the feasibility of operating CHP systems at three separate City of Oshawa recreation facilities. By year-end, the utility was developing proposals to own and operate systems that will supply electricity and thermal energy to the Delpark Homes Centre, South Oshawa Community Centre and Oshawa Civic Recreation Centre. Having year-round thermal loads (heating swimming pools) made these facilities ideal candidates for CHP technology.



Distributed generation is moving along at Durham College's Whitby Campus

Based on the success of Oshawa Power's 2.4 MW CHP system at Ontario Tech University, Durham College sought the utility's expertise in developing a CHP system as part of the expansion of the school's Whitby Campus, which offers a range of post-secondary and apprenticeship programs. By year-end, both parties were exploring the prospect of Durham College hosting an Oshawa Power owned and operated CHP facility on their campus to help the college achieve its energy security goals.



...using new technology

Oshawa Power gets on the electric bus

As part of modernization efforts, a public transit company asked Oshawa Power to participate in the development of a business case for electrification of their bus fleet, which should prove more economical than traditional diesel technology. Collaboration in 2018 laid the groundwork for a plan that would see Oshawa Power install, own and operate EV charging infrastructure at transit depots and on routes. Ideally, solar power generated at the depots will be used to charge the vehicles.



We are technology agnostic. However, we have the capability to combine co-generation/CHP, solar, energy storage and emerging technologies to deliver an optimal solution for the customer's needs.

Scott Barker,
V.P. Business Development



We drive innovation... ...for our community

EV owners are charged up about E-Mission

A cross-functional team of Oshawa Power employees came together to promote electric vehicles (EV) and examine the effects that wholesale migration to this technology could have on the utility's infrastructure. At E-Mission's core was a comprehensive survey of more than 300 local EV owners. The utility promoted the initiative through a press release, an email blast to more than 20,000 customers, and by participating as an exhibitor at the 2018 Autofest Oshawa car show. As an added incentive, Oshawa Power customers that completed the survey received a \$25 bill credit – the average cost to charge an EV for one month. A remarkable 100 per cent of Oshawa EV owners completed the E-Mission questionnaire.

Promoting Durham Region's low-carbon future

Oshawa Power is proud to sponsor and be the leading utility contributor to the *Durham Community Energy Plan*, a comprehensive analysis of the Region's energy needs between now and 2050. After modelling a range of scenarios, the study found that the low-carbon option would provide thousands of local job opportunities, result in significant greenhouse gas reductions and allow for numerous lifestyle benefits. The plan is expected to receive approval from Durham Region and Oshawa City councils in April 2019. The utility will incorporate elements of the document into its future business planning for strategic growth.



...for our customers



Oshawa Power earns \$523,000 for its conservation efforts

The utility received the incentive for successfully meeting its mid-term target under the Province of Ontario's *Save on Energy 2015-2020 Conservation Framework*. By the end of 2018, Oshawa Power achieved an estimated total energy savings of approximately 66 GWh, the equivalent of taking 5,753 homes off the grid.

Peak Performance pilot promotes shifting power use

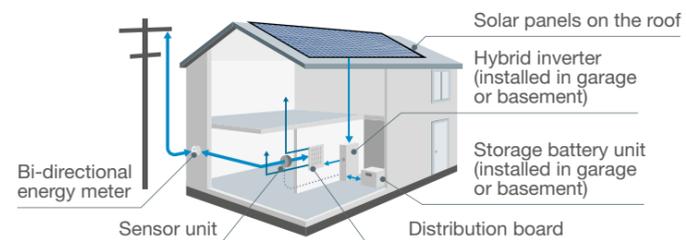
Oshawa Power was selected by the Ontario Energy Board to conduct a \$5.5 million study to examine whether the energy use of Ontario ratepayers could be measurably shifted to off-peak rate periods by providing them with pricing options and a digital engagement platform that enhances knowledge of how power is produced, transmitted, distributed and priced. The findings from the "Summer" period of the study look promising, with some customers demonstrating a nearly 10 per cent conservation effect during peak times. The final report on the initiative was posted on the Ontario Energy Board's website.



We are not waiting for grants and incentives to engage with our customers on important energy issues. Their response in 2018 was resoundingly positive.

Janet Taylor,
Manager, Conservation and Demand Management

...to improve performance



Oshawa Power received an honourable mention for its Solar Energy Management Study at the International Smart Grid Conference.

SEMS study enters its final stage

Oshawa Power's *Solar Energy Management Study* (SEMS), which brought together international partners to examine the results of installing rooftop solar panels, battery storage and energy management systems on the homes of 30 Oshawa Power customers, was a resounding success. In particular, the virtual power plant component of the study, where the systems were linked to form a microgrid, shed light on the potential for the company to represent distributed generators looking to transfer electricity they produce onto Ontario's grid. The utility planned to hold a workshop in February 2019 so that stakeholders could share their experiences, discuss lessons learned and promote awareness of advanced residential energy systems. The guest list included homeowners, local dignitaries and international partners such as NEDO Japan, Tabuchi Electric, Electricity Distributors Association and Panasonic Ecosystems.



New Pi System gets put through its paces

During 2018, the utility completed validation of the data that is at the heart of its Pi System, a digital warehouse that collects all of the company's operational data. To eliminate the complexity and costs associated with manually entering and validating massive quantities of data, the utility automated many of the exhaustive hands-on data entry processes. Late in the year, with the help of an in-house application developer that was hired in 2018, the utility began using the data to create high-level analytical programs that will drive Oshawa Power to the next level of operational excellence.



We are about more than keeping the lights on

We care about worthy causes

Demonstrating the spirit of generosity at the personal level

Although Oshawa Power continued to support charities with household names such as Boys & Girls Club of Durham, Big Brothers Big Sisters, and Heart and Stroke Foundation throughout 2018, the corporate culture of caring for its community is best considered on an individual basis. It can be seen in the countless fundraisers, such as holiday gift drives and charity BBQs, where employees in small groups and on their own donated their personal time, effort and financial support to those in need.

Worthy causes supported by Oshawa Power during 2018

- Big Brothers Big Sisters
- Boys & Girls Club of Durham
- Carea Community Health Centre
- Child Safety Net (with Durham Fire Dept.)
- CURE Foundation
- Heart and Stroke Foundation
- Kinark Child and Family Services
- Parkwood National Historic Site
- Simcoe Hall Settlement House
- St. Vincent's Kitchen

We care about engagement

Building a strong sense of community within the workplace

The core mission of Oshawa Power's employee engagement steering committee, The Buzz, is to build a sense of camaraderie across the organization that helps foster engagement. Key to their efforts are the many social events, workplace fundraisers and group outings. New in 2018, was Oshawa Power's beach volleyball team which gathered at Lakeview Park one night a week over the summer for a scheduled league game. The lineup may have changed from week to week and they may not have been the most competitive bunch, but the team was always enthusiastic and had fun.



We put safety first

Almost half way to million-hour safety goal

In January 2018, Oshawa Power employees reached an impressive milestone by achieving 250,000 hours without a lost-time injury. The utility has earned the Infrastructure Health and Safety Association's (IHSA) President's Award for reaching this target. By year-end the company had reached 460,000 hours – well on the way to the next milestone award of 500,000 hours.



Getting an A+ for safety

The utility received a grade of 94 per cent for its 2018 IHSA COR™ external safety audit.



Hazard Hamlet rises again

A 2018 comprehensive audit of Oshawa Power's assets discovered a long-lost hands-on portable safety exhibit in the company's stores area. With a little "TLC", Hazard Hamlet was reborn – a miniature community where hazards spark up to demonstrate the common dangers caused by coming in contact with live electrical equipment. The display was sent on the road to make appearances at four events during 2018 and was a big hit with adults and children alike.



Oshawa Power holds its first Contractor Safety Day

Local electrical and construction contractors attended the inaugural half-day trade show style event at the Oshawa Convention Centre on November 27. Any tradespeople working near overhead or underground power sources were invited to learn about electrical safety. In addition to exhibitors and a keynote presentation from a professional health and safety consultant, the morning featured speakers from the IHSA, Ministry of Labour, Electrical Safety Authority and Ontario One Call. Ecstatic with the turnout, Oshawa Power has plans to turn Contractor Safety Day into an annual event.



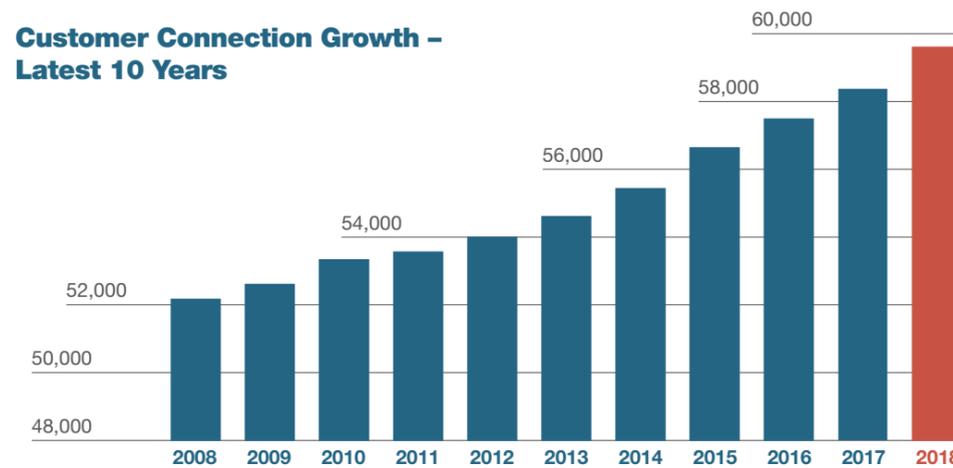
Financial Highlights

FOR THE YEAR ENDED DECEMBER 31, 2018



DOLLARS EXPRESSED IN THOUSANDS UNLESS LABELLED OTHERWISE

Customer Connection Growth – Latest 10 Years



Overview

Oshawa Power and Utilities Corporation, and its subsidiaries (collectively “Oshawa Power” or the “Company”) 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 management services. Oshawa Power is wholly owned by the Corporation of The City of Oshawa.

The Company provides regulated electricity distribution services to businesses and residences in the service area of Oshawa, Ontario through its principal subsidiary Oshawa PUC Networks Inc. (“Networks”).

Oshawa Power distributed electricity to an average of approximately 73,000 customer connections (including street lights) in 2018. There were 59,582 customer connections invoiced in December 2018; an increase of 1,233 or 2.1% over December 2017.

Basis of Presentation

The consolidated financial statements include the accounts of Oshawa Power and Utilities Corporation and its subsidiaries: Oshawa PUC Networks Inc., Oshawa PUC Services Inc., Oshawa PUC Energy Services Inc., and 2252112 Ontario Inc.

The Company’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 of the IASB, including accounting principles prescribed by the Ontario Energy Board (“OEB”) in the *Accounting Procedures Handbook for Electric Distribution Utilities*.

Oshawa Power follows regulated accounting rules as prescribed by the OEB for rate-regulated enterprises. *IFRS 14, Regulatory Deferral Accounts*, allows the Company to utilize *pre-IFRS Canadian Generally Accepted Accounting Principles* with respect to the recognition of Regulatory Assets and Liabilities that address the deferral of specific non-income related cash inflows and outflows.

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered in future rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers for electricity services and the costs that Oshawa Power incurs to purchase and deliver these services. Certain costs and variance account balances are deemed to be regulatory assets or regulatory liabilities and are reflected in the Company’s balance sheets until the manner and timing of disposition is determined by the OEB.

Results of Operations

Revenue

Revenue is earned from regulated activities through Oshawa Power's principal subsidiary, Networks, and unregulated operations carried out in the Company's remaining subsidiaries.

The following table represents regulated revenue, excluding flow-through charges for the sale of electrical energy paid to the Independent Electricity System Operator ("IESO"), and aggregate revenue earned from unregulated operations for 2018 and 2017, comparatively:

Category	2018	2017
Regulated	\$27,488	\$24,942
Unregulated	4,058	3,876
Energy Management Services	5,099	3,150
Total Revenue	\$36,645	\$31,968

Total revenue increased by \$4,677 (14.6%) in 2018 with all three business activities contributing to the year-over-year gains: regulated revenue increased \$2,546 (10.2%); unregulated revenue was up by \$182 (4.7%); and, energy management services increased \$1,949 (61.9%).

Regulated revenue increased as a result of customer growth and an incentive received from the IESO for achievements in Conservation and Demand Management ("CDM") activities.

Combined unregulated revenue increased \$2,131, or 30.3%. The increase in energy management services was generated primarily from fees charged to manage capital projects for third-parties.

Expenses

Operations, maintenance and administrative ("OM&A") expenses reported in 2018 and 2017 are summarized in the following table:

Category	2018	2017
Regulated	\$13,775	\$13,071
Unregulated	2,167	2,041
Energy Management Services	4,480	2,872
Total OM&A	\$20,422	\$17,984

Regulated OM&A expense increased year-over-year by 5.4% (\$704). When measured as OM&A per customer, the percentage increase is 3.3%. Approximately 2% of the increase in regulated OM&A expense can be attributed to customer growth in Oshawa.

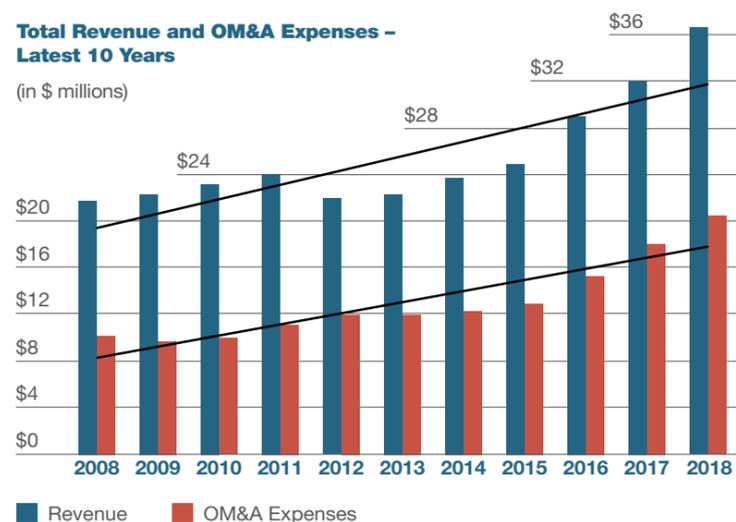
The increase in OM&A costs from energy management services year-over-year is directly attributed to the increase in related revenue. The margin earned from energy management services increased from \$278 in 2017 to \$619 in 2018; as a percent of revenue, margin from energy management services increased to 12.1% from 8.8% in 2017 which is indicative of improved efficiencies in providing services.

OM&A increases in unregulated activities relates to an increase in business development activities in support of future strategic growth.

The chart below illustrates the relative growth in revenue and OM&A expenses over the past ten years.

Total Revenue and OM&A Expenses - Latest 10 Years

(in \$ millions)



Net Income From Operations

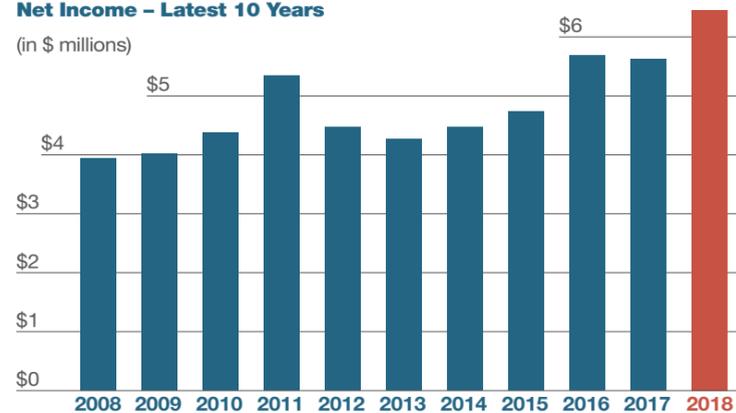
Net income from operations (before other comprehensive income) for 2018 was \$6,486 compared to \$5,651 in 2017.

Net income from regulated activities increased by \$811 (18.6%) from \$4,357 in 2017 to \$5,168 in 2018. The CDM incentive contributed more than \$500 and the remainder can be attributed to customer growth.

Net income earned from unregulated operations increased to \$1,318 in 2018 from \$1,294 in 2017; an increase of approximately 2%.

Net Income - Latest 10 Years

(in \$ millions)



Liquidity and Capital Resources

Summary

Cash and cash equivalents as at December 31, 2018 was \$14,886 compared to \$7,987 on December 31, 2017.

The long-term debt ratio in 2018 is 50% compared to 44% in 2017. The Company restructured its long-term debt and acquired new debt in the amount of \$15,000.

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 its future operating and strategic plans.

Cash Provided by Operating Activities

During 2018, operating activities reported under IFRS generated \$13,474 compared with \$9,887 in 2017; an increase of \$3,587; \$777 from earnings and the remainder from changes in non-cash working capital.

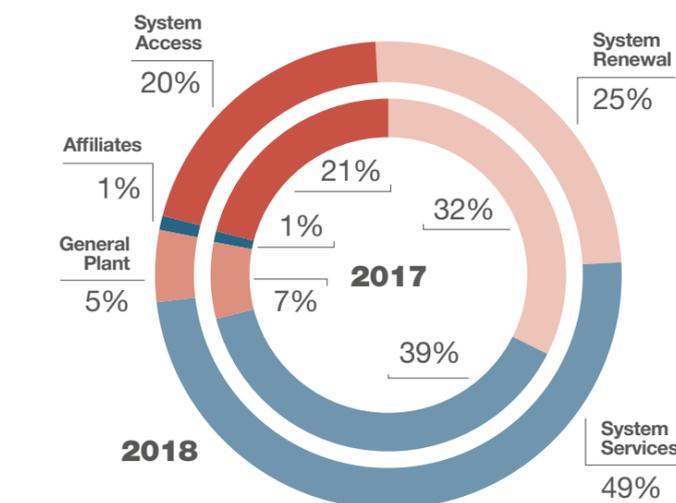
Cash Used in Investing Activities

Cash used in investing activities in 2018 and 2017 was \$20,269 and \$16,042 respectively; an increase of \$4,227 for additions to property, plant and equipment.

As planned, Oshawa Power continues to invest in capacity constraints related to growth in the City of Oshawa and system renewal in order to maintain a track record of strong system reliability.

The combined percentage of capital investments in System Access and System Services, which addressed capacity and customer growth, increased from 60% in 2017 to 74% in 2018. Total expenditures related to these categories also increased from \$9,529 in 2017 to \$13,856 in 2018.

Capital Spending by Category



Cash Provided by Financing Activities

Cash provided by financing activities was \$13,693 in 2018 compared with \$1,444 in 2017. The increase was due to refinancing activities in 2018.

Included in cash used in financing activities were dividend payments made to the Company's shareholder in the amount of \$2,300 for 2018 and 2017 respectively.

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, 2018, has increased to \$94.6 million which represents a compound annual growth rate ("CAGR") of approximately 9.3% 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 Dividend Paid

(in \$ millions)



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



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