



**DO MORE**



**BE MORE**



OSHAWA POWER 2019 ANNUAL REPORT

# DO MORE BE MORE

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Photo credit: bottom right image on cover courtesy of Colin Williamson.

DO MORE.

## 2019 HIGHLIGHTS



Overall response time to outages: 20 minutes.



Billing accuracy: 99.93%.



Zero lost-time accidents.



Installed two electric vehicle charging stations in Oshawa's downtown core.



Completed five-year residential solar storage project with Japanese industry partners and the City.



Partnered with ZooShare in our first renewable natural gas generation project.



Audited 75% of 59,773 smart meters as required by Measurement Canada.



Held first Telephone Town Hall where customers could participate in the development of Oshawa Power's Distribution System Plan.



Recipient of Electrical Safety Authority 2019 Worker Safety Award.

BE MORE.

# OSHAWA POWER & UTILITIES (OSHAWA POWER) AT A GLANCE

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

## ASSETS AT A GLANCE

<b>59,582</b> Total Number of Customers	<b>9</b> Municipal Substations	<b>2.4 MW</b> Output of Combined Heat and Power (CHP) Plant
<b>145.5 km<sup>2</sup></b> Service Area	<b>10,447</b> Poles	<b>547 kW</b> Generation Assets (not including CHP)
<b>1,119,129,067 kWh</b> Energy Supplied	<b>522.6 km</b> Overhead Primary Circuit Length	<b>106.5 km</b> Fibre Optic Network Length
<b>232.5 MW</b> Total Peak Demand Served	<b>461.7 km</b> Underground Primary Cable Circuit Length	
<b>697.6 MVA</b> Total Maximum Rated Capacity of all Municipal Substations	<b>6,722</b> Distribution Transformers	

## THE OSHAWA POWER FAMILY OF COMPANIES

<b>Oshawa PUC Networks Inc.</b> OPUCN is a regulated utility that distributes electricity in the community of Oshawa.	<b>Oshawa PUC Energy Services Inc.</b> OPUCES develops, constructs and operates clean energy generation assets in Ontario.	<b>Oshawa PUC Services Inc.</b> OPUCS provides a reliable dark fibre optics communications network within Oshawa and Durham.	<b>2252112 Ontario Inc.</b> 2252112 develops, constructs and operates renewable energy generation assets in Ontario.
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## 2019 BOARDS OF DIRECTORS

<b>Denise Carpenter</b> Chair	<b>Terry Caputo</b> ●○ HR/Governance Committee Chair	<b>Lou Meehan</b> ●○ Audit Committee Chair	<b>Marc Rosen</b> ○○ Capital Committee Chair
<b>Grant Buchanan</b> ●○	<b>Jeff Coles</b> ○	<b>Donna Kingelin</b> ○	<b>Robert Watson</b> ●

Legend: ● = Audit Committee Member, ○ = Capital Committee Member, ●○ = HR/Governance Committee Member

# MAKING OUR VISION A REALITY

Meeting the evolving needs of our customers as a leading enabler of integrated critical energy and communications infrastructure.

## LIVING OUR VALUES

We are committed to excellence in all aspects of our business and operations. Through collaboration, communication and engagement, we work together to demonstrate the following principles through our actions:



Ensuring safety and reliability



Providing value to our customers



Living a culture of respect



Valuing our people and encouraging their development and participation



Being accountable and holding each other accountable for delivering results



Embracing innovation and entrepreneurial thinking





(left to right)

**Ivano Labricciosa**  
President & CEO

**Denise Carpenter**  
Chair

**JOINT LETTER FROM THE CHAIR AND PRESIDENT & CEO**

# WE CONTINUE TO DO MORE TO MAXIMIZE OUR UTILITY'S VALUE FOR OSHAWA

Utilities typically focus on improving a single dimension of their business. During 2019, our workforce's persistence moved all of our strategic chess pieces forward. Their efforts allowed us to be successful in maintaining competitive rates; expanding and upgrading our distribution infrastructure; improving customer service; and developing sustainable revenue sources through unregulated business activities. Our achievements would not have been possible without the ever-evolving culture that is empowering employees to drive our success.

By successfully navigating the forces effecting Ontario's energy sector in 2019, we kept the impact of these changes on our income in check. Revenues collected from ratepayers were \$35.4 million in 2019, compared to \$36.6 million in 2018. This result was compounded by ongoing regulatory challenges that limited our ability to collect disconnection fees and the cancellation of provincial conservation and demand management programs administered by local distribution companies. However, we were able to mitigate these impacts by controlling operating expenses and continuing to implement our long-term business strategy of augmenting income from our regulated activities with revenue from our unregulated operations. We take great pride in declaring our 2019 dividend to our sole shareholder, the City of Oshawa (the City), of \$2.289 million.

Executing on our 2019 interim rate filing with our regulator, the Ontario Energy Board (OEB), we invested \$22.3 million in capital projects. These investments will enable us to make significant improvements in network reliability and prepare for continued customer growth that is expected in the next decade. The project that had the most impact

on our distribution system in 2019 was the connection of our new Municipal Station 9 to Hydro One's Enfield Transformer Station. This gave our grid an all-important third point of supply into the city that allows the flexibility to distribute power from all three points and, most importantly, will allow for faster recovery from Hydro One transmission supply issues. We also moved forward with an asset renewal program that is reducing the age of distribution assets by upgrading poles, lines and transformers that are approaching end of service. On the technology front, groundwork was laid for our next wave of operational improvements. This included: completing the initial testing phase of our PI system which is using real-time data management to transform our operations; finalizing preparations for the next generation of smart meters; integrating a new project estimating tool into our enterprise resource planning system; selecting a new computerized maintenance management system; and modernizing our purchasing procedures to significantly reduce our supply chain footprint, while ensuring the same level of service.

Historically, almost 15 per cent of our network outages were the result of animals making contact with distribution

equipment in our municipal substations. To keep animals away from our equipment, we installed specialized fencing and added restraining devices on overhead wires leading into the facilities. By year end, these low-tech solutions had effectively eliminated animal contact as a cause of substation outages.

As an agile utility capable of pivoting in the face of challenges, we continued to do more to drive improvements in customer service. As a result, we exceeded stretch targets for six of our industry-standard performance measures and internal customer service metrics for 2019. We also worked to find innovative ways to engage our customers, including hosting our first-ever telephone townhall where an impressive 9,800 participants joined the call to provide input on our upcoming 2020-2025 Ontario Energy Board rate filing.

We continued to earn the trust of project partners in business and all levels of government. By investing in our distributed generation projects, our partners are reducing operating costs, improving services, and allowing Oshawa Power to grow predictable revenue streams for the long term. Our most noteworthy new partnership saw us sign a 40-year agreement in November to develop and operate the Toronto Zoo Biogas Project — the first renewable natural gas (RNG) project in the Oshawa Power portfolio. The operation's anaerobic digester produces RNG from bio-waste supplied by the Toronto Zoo and other GTA sources, which will be used to fuel the project's combined heat and power (CHP) system. Closer to home, we signed an agreement to begin construction of a CHP system that we will own and operate in the City's Delpark Homes Centre. We began preliminary work on a similar project for Durham College's Whitby campus and continue to develop a solution that will best meet their needs.

In 2019, we continued with long-term agreements to develop and operate CHP projects at two massive community housing complexes in the GTA. At the first, we installed two new CHP engines and replaced 20 existing boilers as part of a contract to operate and manage a system that is being expanded to service 30 buildings. At the second, we completed commissioning and began operating the three-tower complex's CHP systems. Based on our performance, we were awarded another contract and entered into an agreement with this client to operate similar systems at 24 additional buildings.

We are doing more to support the City and Durham Region's sustainability and smart city visions. Following our successful deployment of two electric vehicle (EV) charging stations in Oshawa's downtown core in December, we received \$1.4 million in funding from National Resources Canada to install an additional 20 stations throughout the City. Also, drawing industry expertise from our Board of Directors, we worked to develop a five-year plan for our non-regulated business, including dark fibre assets which will add high-value services and extend the reach of our high-speed communications network.

With danger always present while working in close proximity to electric distribution infrastructure, doing more to keep our employees and the public safe is our top priority. The success of our health and safety programs

didn't go unnoticed, Oshawa Power was proud to be recognized for their efforts contributing to a successful safety record for both workers and the public. In September, the Electrical Safety Authority (ESA) recognized our ongoing efforts to promote safety within the utility and our community by presenting Oshawa Power with their 2019 Worker Safety Award. In June, we received the Infrastructure Health and Safety Association's (IHSA) Recognition of Performance Achievement Award for reaching the milestone of 500,000 hours worked without a lost-time injury. We were also pleased to see that attendance at our second annual Contractor Safety Day more than doubled.

Our 2019 accomplishments would not have been possible without the evolution of a culture of ownership that has infused our workforce in recent years. We have nurtured this change by doing more to make sure we have the right people with the right skills and knowledge in place. During 2019, we welcomed nine new full-time employees to management, supervisory and technical roles; brought on board eight apprentices; and provided internships to four engineering students. We also provided 2,726 hours of employee training and through our tuition reimbursement program we helped support six staff who are completing post-secondary education on their own time. The effects of our company's succession plan can be seen throughout Oshawa Power as this next cohort of leaders make huge strides toward reshaping the company into a modern, data-driven utility.

Oshawa Power is about more than selling electrons. We support our community and encourage employee engagement through involvement and volunteerism. During 2019, Oshawa Power was a prominent participant at Touch-A-Truck, Summerfest and the Crossing Point Music Festival, as well as the two-day Autofest Oshawa where we promoted EV technology for the second year. In addition to running informal office fundraisers throughout the year, with assistance from the utility, employee volunteers rolled up their sleeves to help local charities that included: Big Brothers Big Sisters, Boys and Girls Clubs of Durham, Durham Outlook for the Needy, Durham YWCA, Heart and Stroke Foundation and Simcoe Hall Settlement House.

We would like to thank every Oshawa Power employee for their contributions that are helping Oshawa Power reach its goal of moving from being a good company to becoming a truly great company. This level of change requires vision – underpinned by execution and driven by a culture of ownership where employees constantly strive to move the utility forward. We are confident that in the future, as we transition to becoming a modern entrepreneurial organization, we will do even more to maximize the value of our utility for our customers, business partners, and shareholder, the City of Oshawa.


  
**Denise Carpenter** Chair      **Ivano Labricciosa** President & CEO

# DOING MORE TO EXPAND AND ENHANCE OUR DISTRIBUTION INFRASTRUCTURE



## CONNECTING MUNICIPAL SUBSTATION 9 (MS9)

In July, construction of MS9 was completed and the substation was transferred to Oshawa Power to operate moving forward. This state-of-the-art 44 kV to 13.8 kV distribution substation will provide the increased capacity needed to meet Oshawa's future demand and improve network reliability by increasing redundancy and enhancing flexibility for shifting load. During the summer, the utility's crews installed the supply of power to MS9 from Hydro One's Enfield Transformer Station in Clarington. In addition, a 13.8 kV pole line was constructed along Wilson Rd. N. and Conlin Rd. E., connecting MS9 to Oshawa Power's network, and commissioning of the substation's transformers was well underway by year end.



## COMMERCIAL PROJECTS

Oshawa Power is committed to supporting the City's economic development plans. In 2019, the utility:

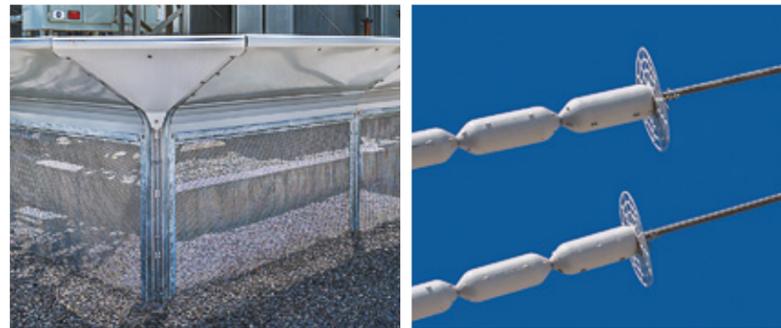
- Met with the recently formed Hamilton-Oshawa Port Authority to assure them of full support for their activities along Oshawa's waterfront. Oshawa Power installed a transformer to service a new grain elevator constructed at the port **(above)**.
- Supported Panattoni Development Company in their efforts to build a 631,000 ft<sup>2</sup> industrial development on Thornton Rd. South.
- Assisted Trent University with plans for a major expansion of their Durham GTA campus in Oshawa.
- Partnered with the Downtown BIA in organizing events, encouraging business in the core and working to rejuvenate downtown Oshawa.



Photo credit: courtesy of Merle Cole.

## REBUILDING IT BETTER

Oshawa Power's continuing program for replacing distribution infrastructure is an opportunity for the utility to upgrade the reliability and efficiency of its network. Oshawa Power's construction crews were kept busy on a six-month project during 2019 where they replaced 150 poles, 3.4 km of single-phase lines, 1.1 km of three-phase lines and 47 transformers that service the Waverly neighbourhood, west of the Oshawa Centre. The utility also used boring technology to replace 2 km of underground cable that was nearing the end of its service life in the Central Park Blvd. and Exeter St. neighbourhood.



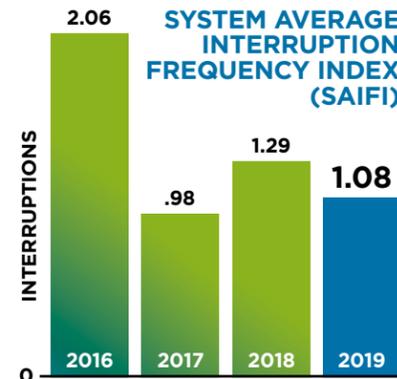
## ANIMAL GUARDS – LOW-TECH SOLUTION WITH A HUGE IMPACT

Raccoons and squirrels may be cute, but they're a major nuisance for the electrical industry. Outages caused by animals making contact with distribution equipment at Oshawa Power's municipal substations historically accounted for more than 10 per cent of the average number of hours that power to a customer was interrupted. These were major events that could affect thousands of households. To keep animals away from its equipment, the utility installed specialized fencing to cage off transformers within its substation compounds **(above left)** and deployed large rollers on the overhead 44 kV lines that feed the facilities **(above right)**. By year end, this initiative had effectively eliminated outages caused by animal contacts at Oshawa Power's municipal substations.

## OUTAGES CAUSED BY ANIMAL CONTACTS AT OSHAWA POWER'S MUNICIPAL SUBSTATIONS



Following deployment of animal guards during 2019, there were no outages caused by animal activity at Oshawa Power's nine municipal substations.



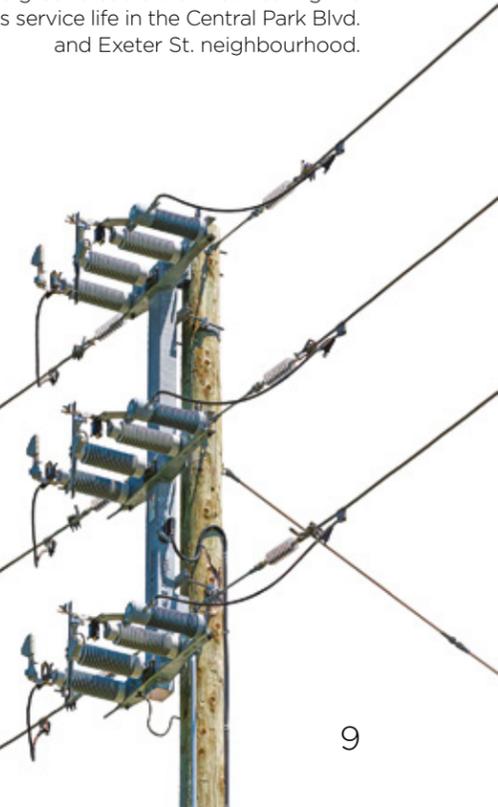
SAIFI represents the average number of times that power to a customer is interrupted during one year.

LOCAL DISTRIBUTION COMPANIES TRADITIONALLY USE RELIABILITY STATISTICS THAT EXCLUDE FACTORS OUTSIDE OF THEIR CONTROL (E.G., OUTAGES CAUSED BY VEHICLES COLLIDING WITH POLES).

OSHAWA POWER'S NUMBERS ARE "ALL IN", REFLECTING THE TRUE EFFECT OUTAGES HAVE ON CUSTOMERS.

## OSHAWA POWER INSTALLED AN AUTOMATED REMOTE SWITCH ON THE 44 KV FEEDER LINE THAT SUPPLIES POWER TO MS9.

IF A FAULT WERE TO OCCUR, THE SWITCH CAN BE OPERATED REMOTELY FROM THE CONTROL ROOM - WITHOUT THE TIME, EXPENSE AND INCONVENIENCE OF DISPATCHING CREWS.



# DOING MORE TO BECOME A DATA-DRIVEN UTILITY



## 2019 SOLUTIONS DRIVING THE UTILITY'S NEXT WAVE OF OPERATIONAL IMPROVEMENTS INCLUDE:

- **Pi** – the data architecture and hierarchy of Oshawa Power's Pi system was verified in preparation for the final testing phase of this information warehousing system that uses real-time data management to transform the utility's network operations. In 2019, this included developing tools that automated the collection and validation of all data generated by the utility's smart meter, customer information and geographic information systems.
- **Quadra** – this project estimating software was integrated with our financial enterprise resource planning (ERP) system. Supply Chain Management is using the software's digital planning, tracking and analysis tool to continuously compare the costs forecasted on large capital projects against actual expenditures.
- **Connexo** – acquired and installed new front-end software and servers to prepare the utility for the next generation of smart meter technology.



## IMPROVING COMMUNICATIONS FOR SMART GRID DEVICES ALSO CUT COSTS

Oshawa Power engineers, control room operators and field staff discovered that cellular communications technology built into smart fault indicators on the network could not maintain continuous communications. Working together, they solved the problem by retrofitting the devices with radio technology. Their solution also eliminated the operational and maintenance expenses associated with the original cellular technology.

**DURING 2019, OSHAWA POWER AUDITED 75% OF ITS 59,773 SMART METERS AS REQUIRED BY MEASUREMENT CANADA TO EXTEND LEGAL SEAL LIFE ON THE METERS BY AN ADDITIONAL EIGHT YEARS.**



## OUR GOAL IS TO BE BEST-IN-CLASS FOR CYBER SECURITY

Oshawa Power views the OEB's *Cyber Security Framework* as a critical guideline for the utility's efforts to protect IT assets from cyber attacks. 2019 initiatives included: improving network redundancy, performing a deep-dive review of IT assets, reinforcing its *Disaster Recovery Plan*, adding two-factor password authentication, putting in place next-generation firewall technology and developing project management and change processes.



Photo credit: courtesy of Colin Williamson.

## MAKING PROGRESS WITH RELIABILITY REQUIRES TEAM WORK

Last year saw Oshawa Power put a renewed focus on its Reliability Team. Immediately following an outage, the group now gathers to complete a detailed analysis to determine the root causes that led to the event, so that educated decisions can be made to minimize future re-occurrences. In support of this initiative, the utility formalized its Red Tag Quarantine program where network devices that are suspected of failure are immediately removed from service, tagged and sent to the utility's warehouse to be isolated in a secure area while they await testing.



**OSHAWA POWER HAS REDUCED THE NUMBER OF TRANSFORMERS IT STORES BY 37 PER CENT IN 2019 – WITHOUT IMPACTING SERVICE.**

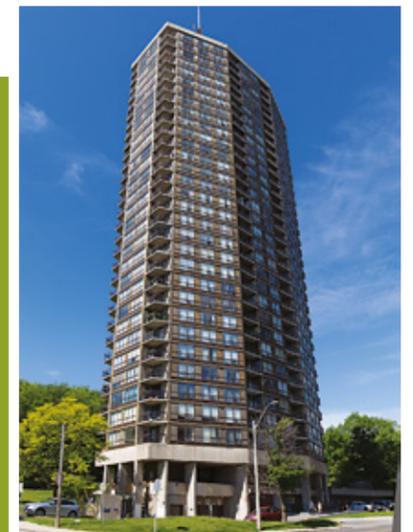
## TAKING STOCK OF SUPPLY CHAIN PROCESSES

Oshawa Power revamped its inventory management processes in 2019. Now, where possible, vendors are responsible for delivering materials on a just-in-time basis. This has helped the utility reduce its supply chain footprint, maximize the length of manufacturers' warranties and allow the Supply Chain team to improve the services provided to their internal customers.



## HELPING PROPERTY MANAGERS GET SMART WITH THEIR METERS

In 2019, Oshawa Power began approaching managers of multi-unit residential buildings with solutions for migrating from bulk meters, which read the total consumption of a building, to smart suite meters. This technology allows individual units to be metered and charged for their actual consumption.



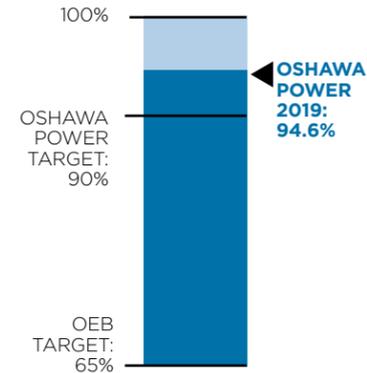
# OSHAWA POWER GOES THE EXTRA MILE FOR ITS CUSTOMERS



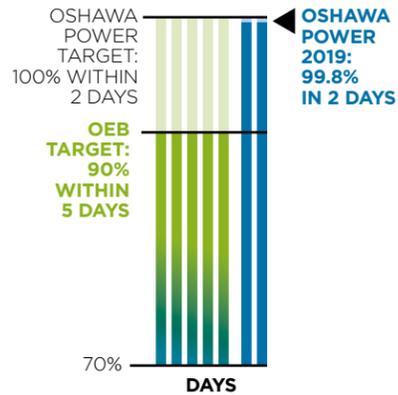
## FINDING MORE WAYS TO BE FACE-TO-FACE WITH CUSTOMERS

Oshawa Power participated in a record 14 customer-facing events during 2019. This included the Touch-A-Truck event for children of all ages, Summerfest, three Oshawa Generals home games, the Crossing Point Music Festival and the utility hosting four of its own Public Town Hall customer outreach events at community centres across Oshawa (above left). The utility also used the Community Builders Network of Hope Family Day event at the Tribute Centre as an opportunity to spread the word on its low-income support programs and was an exhibitor at the two-day Autofest Oshawa for the second year (above right), where it promoted eMission, the utility's EV public education initiative.

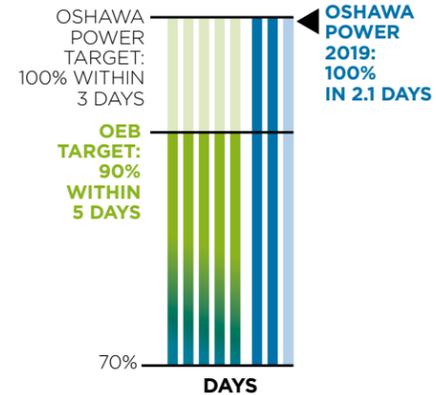
### TELEPHONE CALLS ANSWERED WITHIN 30 SECONDS IN 2019



### NEW SERVICE CONNECTIONS IN 2019

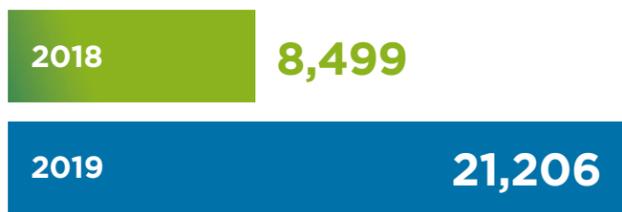


### SERVICE RESPONSE TIME ON SERVICE REQUEST



## SETTING THE BAR HIGHER TO ENSURE OUR CUSTOMERS ARE SATISFIED

The Ontario Energy Board (OEB) grades the performance of local distribution companies based on a set of stringent metrics (above). Ambitiously pushing the envelope for customer service, Oshawa Power created its own stretch targets that are even more demanding than the OEB's metrics. Surpassing six of its stretch targets during 2019 was quite an achievement for the team.

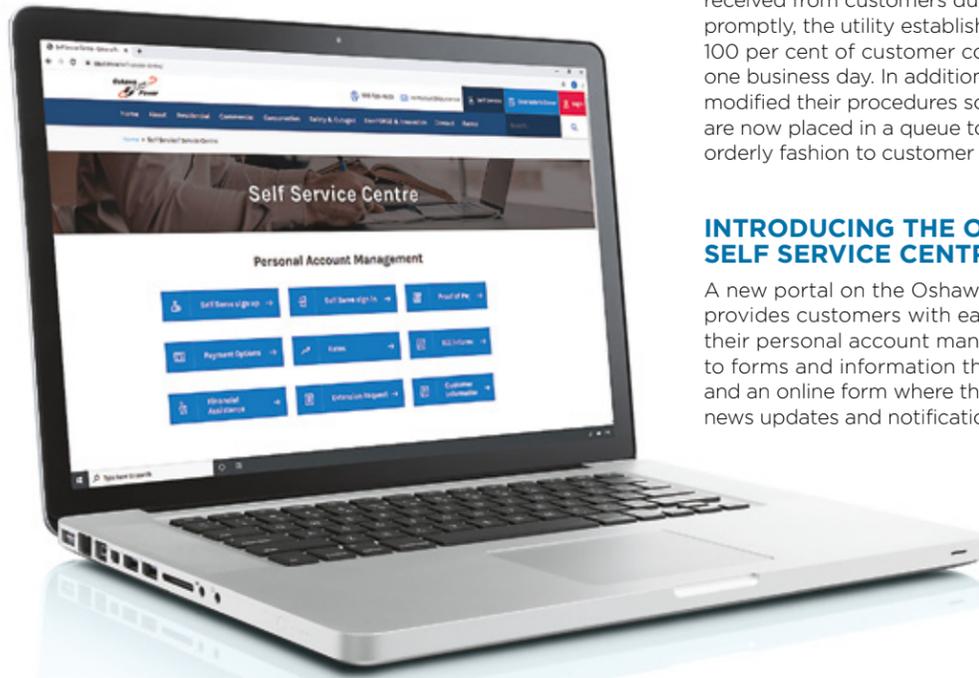


## RESPONDING TO A 250% INCREASE IN EMAIL CORRESPONDENCE

To ensure that the 21,206 emails Oshawa Power received from customers during 2019 were answered promptly, the utility established a target of answering 100 per cent of customer correspondence within one business day. In addition, customer service staff modified their procedures so that incoming emails are now placed in a queue to be distributed in an orderly fashion to customer service representatives.

## INTRODUCING THE ONLINE SELF SERVICE CENTRE

A new portal on the Oshawa Power website provides customers with easy access to their personal account management; quick links to forms and information they might find useful; and an online form where they can sign up to receive news updates and notification of upcoming events.

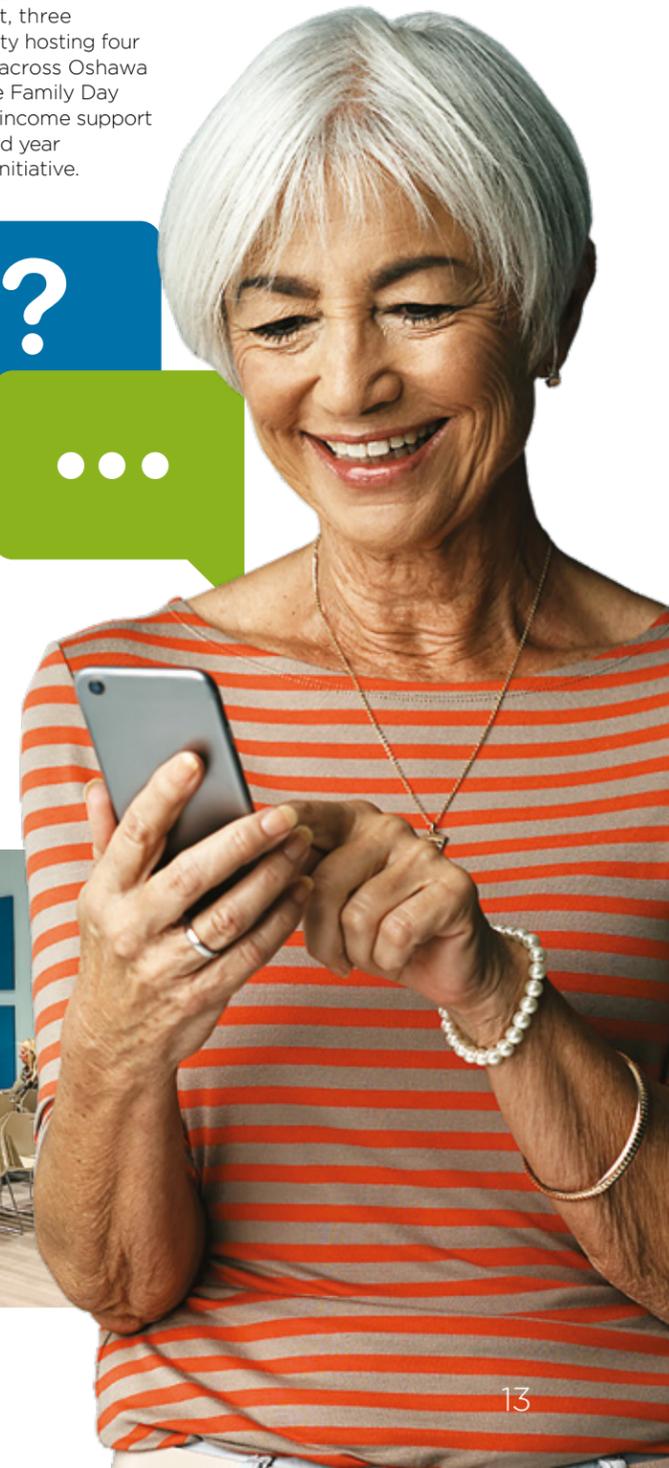


ON AVERAGE, IT TOOK OSHAWA POWER CREWS 20 MINUTES TO RESPOND TO SERVICE CALLS IN 2019.

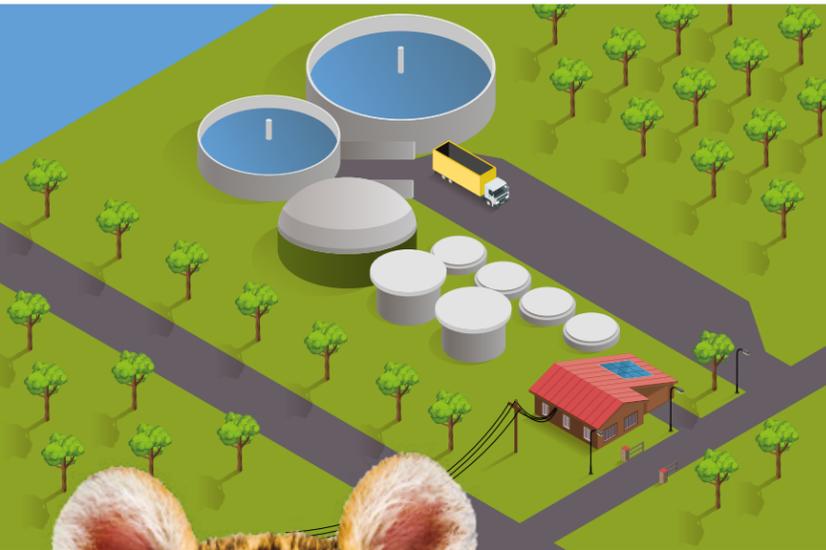


## FIRST-EVER TELEPHONE TOWN HALL GIVES CUSTOMERS AN INNOVATIVE WAY TO HAVE THEIR SAY

As part of Oshawa Power's 2020-2025 rate application process with the OEB, Oshawa Power is required to obtain customer input on its investment plans for distribution assets. In October, Oshawa Power hosted its first-ever Telephone Town Hall where an impressive 9,800 participants joined the call to ask questions and give their opinions to Oshawa Power executives.



# BEING MORE THAN AN ELECTRICITY DISTRIBUTION COMPANY



## OSHAWA POWER'S FIRST RENEWABLE NATURAL GAS (RNG) PROJECT

In November 2019, the utility signed a 20-year agreement with the 600-member ZooShare Biogas Cooperative to construct and operate their Toronto Zoo Biogas Project which will be located on Meadowvale Rd., across the street from the zoo. When the project is up and running in late 2020, it will be the first electricity generation project in North America to use "zoo poo" – animal waste from a zoo – as a fuel source. The two-stage project's CHP engines will run on RNG produced by the system's anaerobic digesters from bio waste. Twenty per cent of the system's feedstock will come from animal waste collected at the zoo. The balance will be sourced from commercial/industrial organic waste in the Toronto area. Electricity generated by the project will be sold to the province under a long-term generation contract and thermal energy produced by the project will be fed to the zoo for use in its processes.



Ivano Labricciosa, President & CEO, addresses members of the ZooShare Biogas Cooperative.



**THE TORONTO ZOO BIOGAS PROJECT IS FORECASTED TO YIELD REDUCTIONS OF 20,000 TONNES OF CO<sub>2</sub> EQUIVALENTS PER YEAR AND OFFSET THE EQUIVALENT OF 30 PER CENT OF THE ZOO'S DEMAND FOR ELECTRICITY.**

**"ZOOSHARE IS EXTREMELY PLEASED TO HAVE OSHAWA PUC ENERGY SERVICES (OPUCES) AS A PARTNER. THIS INVESTMENT WILL ENABLE THE PROJECT TO REACH COMMERCIAL OPERATIONS NEXT YEAR AND OPUCES' EXPERTISE WILL ENABLE IT TO OUTPERFORM EXPECTATIONS IN THE YEARS TO COME."**

**DANIEL BIDA, EXECUTIVE DIRECTOR OF ZOOSHARE**



## OUR GROWING PORTFOLIO OF CHP PROJECTS

### Regent Park Energy Inc.

- Installed two new CHP engines (**above**) and replaced 20 existing boilers
- Continued operating a system that services a massive complex with expansion underway to serve 30 buildings by 2030
- Began providing technical services for building maintenance on an ad hoc basis

### GTA Social Housing

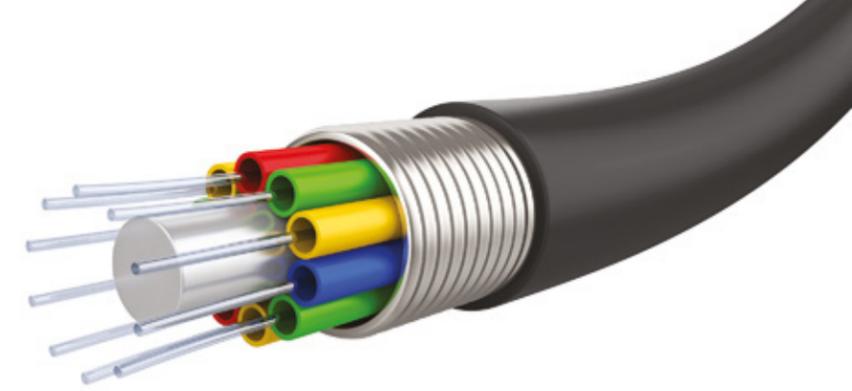
- Started operating CHP systems supplying a three-tower complex with thermal energy and electricity for the buildings' day-to-day consumption and emergency operations during grid outages
- Signed a contract to manage similar systems that will be operating by 2021 at 24 additional facilities

### Durham Region Projects

- The utility will own and operate a CHP system at the Delpark Homes Centre in Oshawa that will sell electricity and thermal energy to the community centre and allow the City to operate the facility as an emergency warming centre during grid outages.
- Worked towards developing a similar agreement where the utility will own and operate a system at Durham College's Whitby Campus.

## MAKING INROADS WITH EV CHARGING TECHNOLOGY

In December, Oshawa Power installed two Level-2 EV charging stations in Oshawa's downtown core with funds from Natural Resources Canada (NRCan). Based on the success of the project, NRCan awarded the utility a contract to install 20 Level-2 and Level-3 charging stations at Oshawa locations in 2020. In addition, the utility and a local transit company worked on plans for a pilot project where the utility will be responsible for providing charging infrastructure for eight electric buses.



## DARK FIBRE COMMUNICATIONS ASSETS ARE KEY TO OSHAWA'S ECONOMIC DEVELOPMENT

Artificial intelligence, 5G, the Internet of things and autonomous vehicles are emerging technologies that are on the horizon. As this wave approaches, Oshawa Power is actively seeking ways for its dark fibre assets to play a backbone role for the implementation of these technologies in Oshawa. With guidance from its Board of Directors, the utility created a five-year expansion plan that sets out the business case for growing the utility's high-speed communications network and examines the potential of adding services to the network that will help the City and Durham Region achieve their broadband strategies.



**TO MEET FORECASTED DEMAND, DURING 2019, THE TRIBUTE COMMUNITY CENTRE WAS CONNECTED TO OSHAWA POWER'S HIGH-SPEED COMMUNICATIONS NETWORK. THE UTILITY TRIPLED THE CAPACITY ON A SECTION OF ITS MAIN DARK FIBRE TRUNK LINE THAT RUNS ALONG GIBB ST. BETWEEN THE OSHAWA CENTRE AND MICHAEL STARR TRAIL.**



# EMPOWERING A “DO MORE, BE MORE” CULTURE



## TAKING ACTION ON THE 2019 EMPLOYEE ENGAGEMENT SURVEY

Based on results from the survey, Oshawa Power developed its *Culture Transformation Plan*. The three-year initiative puts a renewed focus on the need to strengthen the relationship between employees and their immediate managers, enhance professional development programs and improve communications around organizational change. Acting on a major action point from the plan, the utility formalized new employee communications touch points by year end. These include:

- Monthly “check-in” team meetings
- Monthly interdepartmental management meetings
- Quarterly sit downs between employees and their immediate managers.

“OSHAWA POWER IS CHANGING FROM A VERY CONSERVATIVE, CONTROLLED, HIERARCHICAL MANAGERIAL PARADIGM TO ONE THAT IS MORE ORGANIC, FLAT, SELF-DIRECTED AND AUTONOMOUS, SO THAT EVERY EMPLOYEE WILL HAVE A SENSE OF OWNERSHIP, TAKE INITIATIVE AND DRIVE CHANGE WITHIN THE ORGANIZATION.”

**MATT STRECKER**, VICE PRESIDENT, ENGINEERING AND OPERATIONS

## BUILDING A TEAM CAPABLE OF CREATING A MODERN DATA-DRIVEN UTILITY

As 2019 progressed, it was apparent that a new cohort – one with the passion and skills necessary to manage the future success of the utility – had started to lead the company. This ongoing structural change was nurtured throughout the year as the utility provided 78 employees with a total of 2,726 hours of in-house training and continued a tuition reimbursement program which supported six staff who are completing post-secondary education on their own time. In addition, many new faces could be seen throughout the utility as the company welcomed five management hires, brought on one apprentice power line technician (PLT) and two journey person PLTs, as well as cross-trained five PLTs and filled four internships.



## ATTENDANCE DOUBLED AT SECOND ANNUAL CONTRACTOR SAFETY DAY

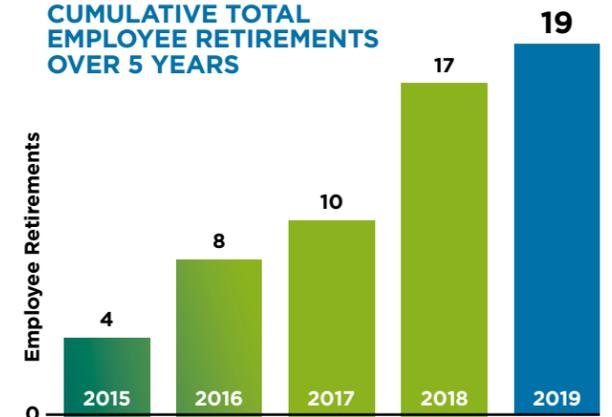
Oshawa Power joined forces with the Ontario Regional Common Ground Alliance (ORCGA) to host a 2019 workplace safety event at the City’s Consolidated Works Depot on November 21. ORCGA promotes public awareness and best practices around underground infrastructure and ground disturbance practices. The 70 guests that gathered for the half-day tradeshow-style event received presentations from workplace safety experts representing the ESA, Ontario One Call, IHSA and Ontario Ministry of Labour.

## PEERS PRAISE OSHAWA POWER’S COMMITMENT TO SAFETY

The utility has long viewed its unwavering dedication to providing a safe and healthy workplace as the price of admission in the electricity distribution sector. Its efforts were recognized in September when the Electrical Safety Authority (ESA) presented Oshawa Power with their 2019 Worker Safety Award. The utility’s nomination highlighted the work of its Wellness Committee and Ergonomics Team, along with the utility’s efforts to promote electrical safety in the community through its Contractor Safety Day event and Hazard Hamlet travelling safety presentation. In June, the Infrastructure Health and Safety Association (IHSA) presented the utility with its Recognition of Performance Achievement Award for passing the milestone of 500,000 hours worked without a lost-time injury. The utility also maintained its IHSA COR™ accreditation for the fifth consecutive year by achieving a grade of 98 per cent in a 2019 audit of its health and safety practices and procedures.



## CUMULATIVE TOTAL EMPLOYEE RETIREMENTS OVER 5 YEARS



Oshawa Power continues to execute on succession plans that are revitalizing its workforce as the effects of aging demographics has impacted the utility sector over the past five years.



# DOING MORE TO SUPPORT THE COMMUNITY

“OSHAWA POWER IS DEDICATED TO THIS COMMUNITY. WE DO NOT SIMPLY WRITE CHEQUES. EMPLOYEES AND MANAGERS ALIKE ROLL UP THEIR SLEEVES AND BECOME INVOLVED BECAUSE WE CARE ABOUT THE COMMUNITY WHERE WE LIVE AND WORK.”

**IVANO LABRICCIOSA,**  
PRESIDENT & CEO



## COMMUNITY SUPPORT IS ABOUT MORE THAN FUNDRAISERS AND DONATIONS

This past year, Oshawa Power employees were out in their community – volunteering where they live and work more than ever before. By helping in their community, employees continued to show that they care and that their community is important to them. Their efforts also increase employee engagement and help ensure Oshawa Power is looked upon as a valued member of the community. The utility’s employees stepped up to volunteer with a growing number of local charities that included:

- Back Door Mission
- Boys and Girls Clubs of Durham
- Community Builder’s Network of Hope
- Durham Outlook for the Needy
- Heart & Stroke Foundation
- Oshawa Museum
- Simcoe Hall Settlement House
- YWCA Durham

## THERE WAS A “BUZZ” ABOUT HELPING THOSE IN NEED

The Buzz, Oshawa Power’s social committee, selected Simcoe Hall Settlement House as the primary recipient of its 2019 charity efforts. The charity’s mission is to, “Provide wellness opportunities through our food bank and programs to serve children, individuals and families who experience financial and social challenges.” The Buzz supported Simcoe Hall over the year with: an Easter food drive; a charity BBQ that raised funds to purchase and donate 68 backpacks filled with school supplies; and a Christmas Snowflake Tree fundraiser that provided gifts for 48 children.



“HELPING WITH THE CAREER CHATS PROGRAM AT ONTARIO TECH UNIVERSITY WAS SO REWARDING. I WAS ABLE TO SPEND TIME WITH A DOZEN OR SO STUDENTS AND HELPED THEM WITH THEIR RESUMES, INTERVIEW PREPARATION AND LINKEDIN PROFILES. IT WAS A FANTASTIC EXPERIENCE.”

**NANCY BRANDON,**  
DIRECTOR,  
HUMAN RESOURCES



## SUPPORTING EDUCATION HELPS REFRAME OSHAWA POWER AS A PROGRESSIVE EMPLOYER

With the increasing widespread adoption of distributed generation, large-scale battery storage, renewable energy, smart grids, electric vehicle technology and other advancements, the utility sector is increasingly seen as a desirable career path by students entering post-secondary institutions. Representatives from Oshawa Power increased their presence in the education sector in 2019 by providing industry expertise and promoting the utility as a potential employer to the future workforce. Their efforts included:

- Taking part in Ontario Tech University’s Reverse Career Fairs where students and graduates are the exhibitors and employers circulate through the room, sharing information on job and internship opportunities at their organizations
- Ivano Labricciosa, President & CEO, guest lectured on the topic of smart grids in an engineering class at Ontario Tech University
- Participating on Durham College’s Program Advisory Committee for its Human Resources Management program
- Providing in-person job search counselling through the Career Chats program at Ontario Tech University.



## GIVING THE COMMUNITY A SAY ON THE UTILITY’S FUTURE

Oshawa Power’s 2019 Distribution System Plan customer survey proved to be a win/win/win. Participants were offered their choice of a chance to win one of five \$200 pre-paid credit cards or the opportunity to have the company donate \$5 on their behalf to one of three local charities. With 1,240 participants, the survey was a major win for the utility. It was also a huge win for Durham Outlook for the Needy, Simcoe Hall Settlement House (above) and YWCA Durham, who split the \$3,030 pool.



A 2019 VIDEO PRODUCED BY ONTARIO TECH UNIVERSITY FEATURED OSHAWA POWER EXECUTIVES PROVIDING CAREER ADVICE TO GRADUATING ENGINEERING STUDENTS.

# FINANCIAL HIGHLIGHTS



## FOR THE YEAR ENDED DECEMBER 31, 2019

Dollars expressed in thousands unless labelled otherwise

### 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 73,261 customer connections (including street lights) in 2019. There were 59,698 customer connections invoiced in December 2019; an increase of 632 or 1.1% over December 2018.

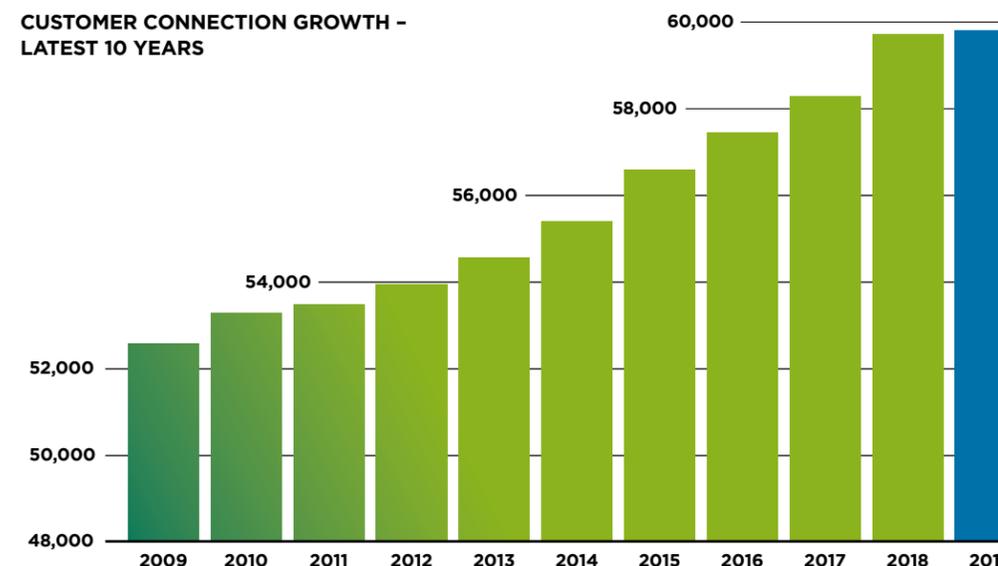
### BASIS OF PRESENTATION

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.

CUSTOMER CONNECTION GROWTH - LATEST 10 YEARS



## 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 2019 and 2018, comparatively:

Category	2019	2018
Regulated	\$28,163	\$27,488
Unregulated	4,224	4,058
Energy Management Services	3,055	5,099
<b>Total Revenue</b>	<b>\$35,442</b>	<b>\$36,645</b>

Total revenue decreased by \$1,203 (3.3%) in 2019 with regulated and unregulated gains offset by a reduction in energy management services: regulated revenue increased \$675 (2.5%); unregulated revenue was up by \$166 (4.1%); and, energy management services decreased \$2,044 (40.1%).

Regulated revenue increased as a result of customer growth and inflationary increases.

Combined unregulated revenue decreased \$1,878, or 20.5%. The decrease in energy management services was generated primarily from fees charged to manage capital projects for third-parties: capital project volume in 2019 was considerably lower than 2018.

### EXPENSES

Operations, maintenance and administrative ("OM&A") expenses reported in 2019 and 2018 are summarized in the following table:

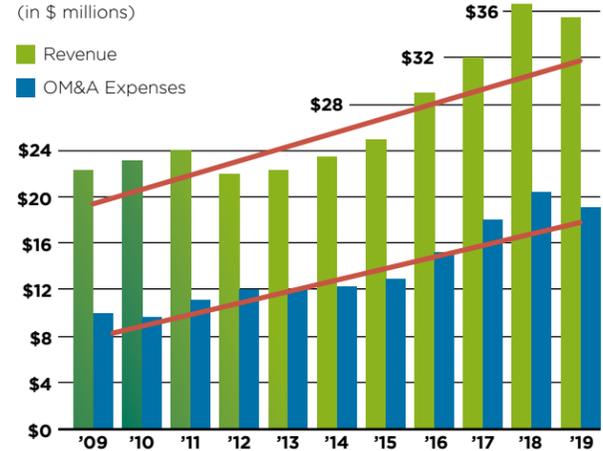
Category	2019	2018
Regulated	\$13,073	\$13,775
Unregulated	3,111	2,167
Energy Management Services	2,938	4,480
<b>Total OM&amp;A</b>	<b>\$19,122</b>	<b>\$20,422</b>

Regulated OM&A expense decreased year-over-year by 5.1% (\$702).

The increase in OM&A costs from energy management services year-over-year is directly attributed to the decrease in related revenue.

The margin earned from energy management services decreased from \$619 in 2018 to \$117 in 2019; lower margin in unregulated activities relates to an increase in business development activities in support of future strategic growth.

### TOTAL REVENUE AND OM&A EXPENSES - LATEST 10 YEARS



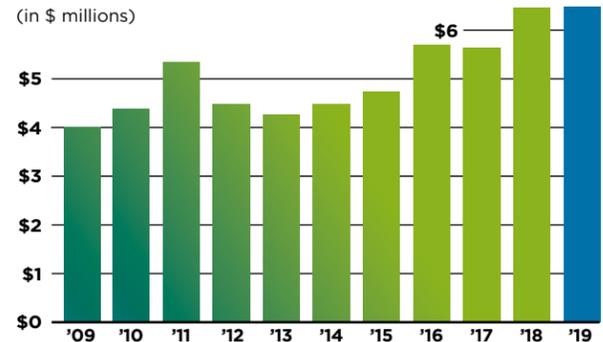
### NET INCOME FROM OPERATIONS

Net income from operations (before other comprehensive income) for 2019 was \$5,600 compared to \$6,486 in 2018. The decrease can be attributed to variances in revenue and expense noted above, plus higher interest and depreciation expense.

Net income from regulated activities increased by \$23 (0.4%) from \$5,168 in 2018 to \$5,191 in 2019.

Net income earned from unregulated operations decreased to \$409 in 2019 from \$1,318 in 2018; a decrease of approximately 69%.

### NET INCOME - LATEST 10 YEARS



## LIQUIDITY AND CAPITAL RESOURCES

### SUMMARY

Cash and cash equivalents as at December 31, 2019 was \$6,035 compared to \$14,866 on December 31, 2018.

The long-term debt ratio in 2019 is 49% compared to 50% in 2018. 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 2019, operating activities reported under IFRS generated \$11,720 compared with \$13,474 in 2018; a decrease of \$1,754; \$886 from earnings and the remainder from changes in non-cash working capital.

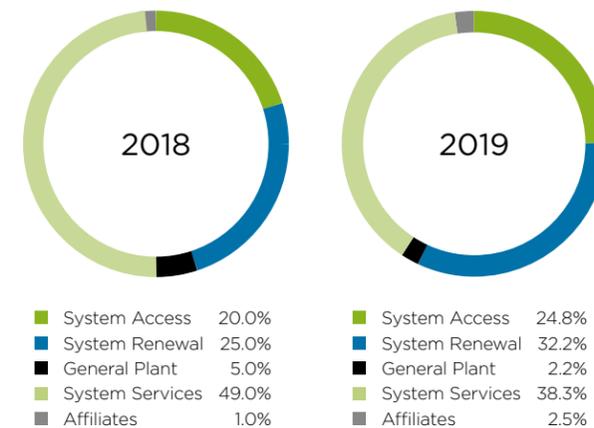
### CASH USED IN INVESTING ACTIVITIES

Cash used in investing activities in 2019 and 2018 was \$22,280 and \$20,269 respectively; an increase of \$2,011 including \$2,600 related to Toronto Zoo Biogas Project. Excluding investment in this project, cash used on capital spending in 2019 was \$19,694.

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, decreased from 69% in 2018 to 63% in 2019. Total expenditures related to these categories also decreased, from \$13,986 in 2018 to \$12,427 in 2019.

### CAPITAL SPENDING BY CATEGORY



### CASH PROVIDED BY FINANCING ACTIVITIES

Cash provided by financing activities was \$1,829 in 2019 compared with \$13,693 in 2018. The decrease was due to refinancing activities in 2018.

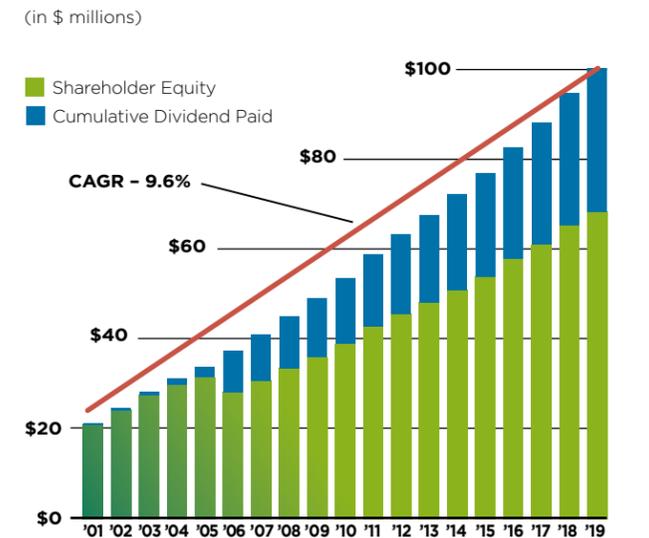
Included in cash used in financing activities were dividend payments made to the Company's shareholder in the amount of \$2,500 and \$2,300 for 2019 and 2018 respectively.

### 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, 2019, has increased to \$100.2 million which represents a compound annual growth rate ("CAGR") of approximately 9.6% 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



OPUC audited financial statements are available at [www.opuc.on.ca](http://www.opuc.on.ca)



100 Simcoe Street South,  
Oshawa, Ontario L1H 7M7



[opuc.on.ca](http://opuc.on.ca)



[contactus@opuc.on.ca](mailto:contactus@opuc.on.ca)



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