



City of  
**Peterborough**

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**To: Members of the Committee of the Whole**

**From: Sandra Clancy, Director of Corporate Services**

**Meeting Date: July 27, 2015**

**Subject: Report CPFS15-038  
City of Peterborough Holdings Inc. Presentation**

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## **Purpose**

A report to inform Council that the City of Peterborough Holdings Inc. President & CEO and Board representatives will attend the July 27, 2015 Committee of the Whole meeting to provide their annual update.

## **Recommendations**

That Council approve the recommendations outlined in Report CPFS15-038, dated July 27, 2015, of the Director of Corporate Services, as follows:

- a) That the City of Peterborough Holdings Inc. (COPHI) presentation be received;
- b) That the 2014 Annual Report and Consolidated Financial Statements of the City of Peterborough Holdings Inc. for the fiscal year ended December 31, 2014, attached as Appendix A to Report CPFS15-038, be received;
- c) That the election of the following persons as Directors of COPHI be and the same are hereby confirmed for the terms set out in prior resolutions of the Council of the Corporation of the City of Peterborough: Bob Lightbody, David Bignell, David Paterson, David Nichols, Dan McWilliams, Scott Baker, Louise Lalonde, Nancy Brown Andison, and Daryl Bennett;
- d) That the election of the following persons as Directors of Peterborough Distribution Inc. be and the same are hereby confirmed for the terms set out in prior resolutions of the Council of the Corporation of the City of Peterborough: Bryan Weir and Dave Clark; and

- e) That Collins Barrow Kawarthas LLP, Chartered Accountants, are hereby appointed auditors of the Corporation, until the next annual resolution of the Shareholder is signed or until their successors are duly appointed.

## **Budget and Financial Implications**

There are no budget or financial implications associated with the recommendations in this report.

## **Background**

As the City of Peterborough is the sole Shareholder of the City of Peterborough Holdings Inc. (COPHI), it is appropriate for City Council to approve the recommendations of this report to fulfill the annual requirement of the **Ontario Business Corporations Act**.

In addition to this requirement, representatives from COPHI will take the opportunity to update Council on the events of 2014 and future initiatives in 2015.

Submitted by,

Sandra Clancy  
Director of Corporate Services

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Attachments:

Appendix A: 2014 Annual Report

Appendix A

**2014 Annual Report**



City of Peterborough Holdings Inc.  
**ANNUAL REPORT | 2014**







*David Bignell,  
Chair  
City of Peterborough Holdings Inc.*



*John Stephenson,  
President & CEO  
Peterborough Utilities Group*



*Scott Baker,  
Vice-Chair  
City of Peterborough Holdings Inc.*

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# Report to the Peterborough Community

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On behalf of the Board of Directors of City of Peterborough Holdings Inc. (CoPHI) and the employees of Peterborough Utilities Group (PUG) we are pleased to provide the accompanying report to the community for the fiscal year ended December 31, 2014.

CoPHI is the legal entity wholly owned by the Corporation of the City of Peterborough. Operating as PUG, it includes both the regulated electric distribution business and the unregulated renewable generation and wholesale metering businesses. PUG also provides management services to the PUC's water treatment and distribution operations, and the operation of Riverview Park & Zoo.

## Our Performance

The accompanying report reflects continued business growth through the development and optimization of several key assets. While fiscal 2014 net income was affected by the optimization program at the Lily Lake Solar Farm, the average return on equity over the past five years remains solid at 9.80%. The company's growth and diversification away from the regulated business has uniquely positioned us to adapt to strong provincial momentum for industry consolidation, without adverse impact to the City or its constituents.

Through the concerted efforts of all employees, PUG continues to provide:

- a substantial annual cash distribution to the City for its constituents (2014: \$5.23 million; 2013: \$5.13 million);
- competitive electricity distribution and water rates comparable to those of our peers; and
- safe water and electricity to our customers.



PUG continues to provide a substantial annual cash distribution to the City for its constituents.



## Our Community

In the face of increasing constraints on electricity and water resources, we have committed to provide our customers with Conservation and Demand Management (CDM) education, technology and programs. Since 2006, through our residential and commercial conservation programs, PUG has reduced energy usage by 65.9 GWh and reduced the demand by 38.6 MW. This is equivalent to removing over 5,000 homes from the electricity system. PUG has successfully deployed over 8,000 In-Home Displays as part of the *peaksaver PLUS*® program. This is the largest deployment of In-Home Displays embedded into a Smart Metering System in Ontario. These devices provide customers with accurate real-time consumption information about energy use in their home.

Over the past several years we have introduced water meters to the community and we are close to the completion of a multi-year implementation program. These meters will assist in promoting water conservation in Peterborough.

Since 2006, PUG has reduced energy usage by the equivalent of 5,000 homes.

*PUG float in the 2014 Kinsmen Santa Claus Parade*





## Our Industry

Since 2012, the provincial government has signaled that the regulated distribution industry in the Province of Ontario must undergo change. While PUG only directly affects approximately 20% of the total customer electricity bill, the overall escalation in electricity rates is an industry problem that affects local ratepayers and Ontario's competitive fabric.

In 2013, the Province's Long-Term Energy Plan forecast reflected that the average residential consumer would experience an annual cost increase of 4.4% per year, every year for the next five years. The Province's studies have predicted that industry consolidation could produce industry operating cost savings of \$1.7 billion, and avoid duplicative infrastructure investment of \$1.3 billion. The provincial government's 2015 budget and recent announcements have reinforced its commitment to see industry consolidation produce efficiencies to lower customer rates. The company continues to monitor industry change and the potential impact on its operations.

## Our Future

Notwithstanding future industry uncertainty and change, PUG strives to provide the best offering to its customers, shareholder and community through its commitment to:

- competitive energy rates;
- safe and reliable energy;
- maintain and increase financial support to the City;
- the community and ourselves to work safely and with respect; and
- strong governance and accountability.

We are confident that this report reflects that commitment in fiscal 2014 and for the future.



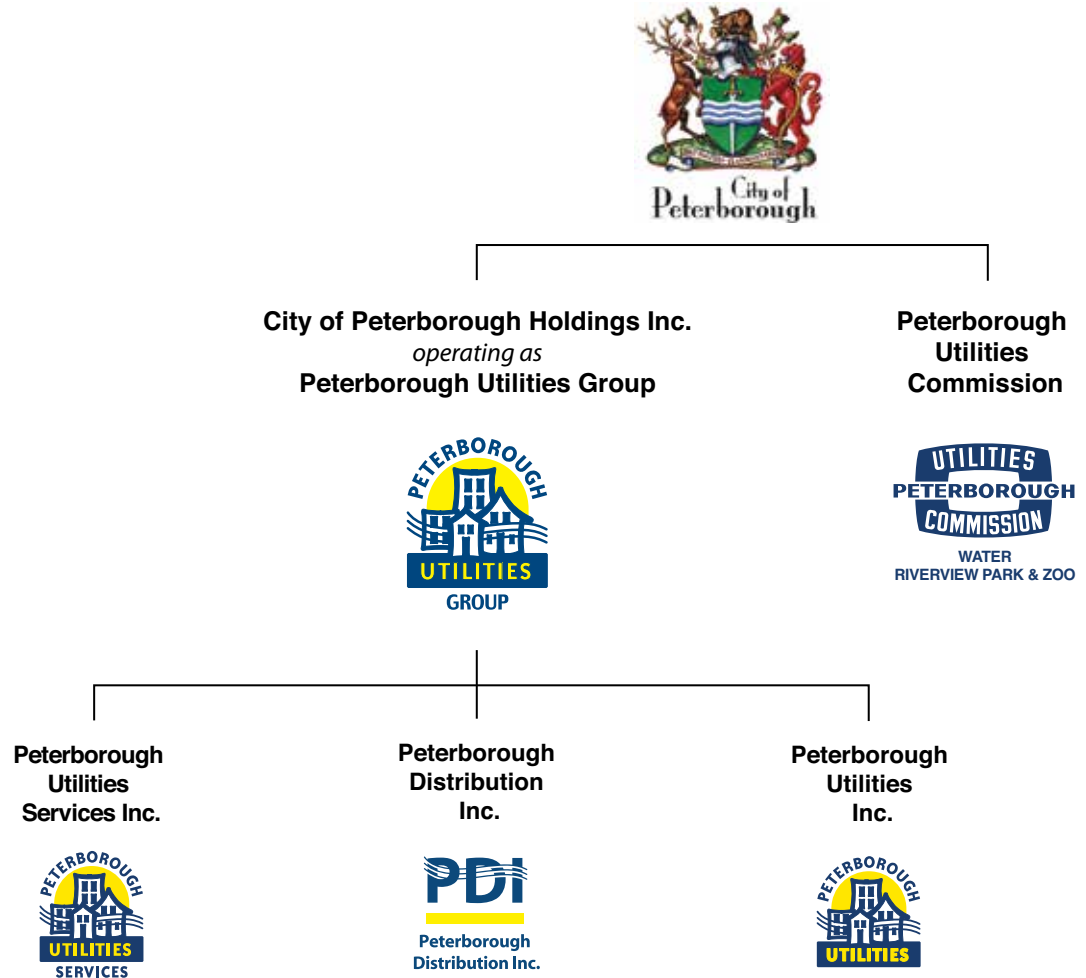
Thank you to our customers, employees and Board of Directors for making 2014 a success.





## Business Overview

The City of Peterborough Holdings Inc. (CoPHI), operating as the Peterborough Utilities Group, is wholly owned by the Corporation of the City of Peterborough. CoPHI includes three wholly owned subsidiaries: Peterborough Distribution Inc. (PDI), Peterborough Utilities Inc. (PUI) and Peterborough Utilities Services Inc. (PUSI).



PUSI provides professional human resources, office facilities, and equipment to affiliated companies and other third parties involved in municipal government, electricity distribution and generation, and water utility activities.

PDI distributes electricity in Peterborough, Lakefield and Norwood. The business is regulated by the Ontario Energy Board (OEB) which has broad powers relating to licensing, standards of conduct and services and the regulation of rates.

PUI operates the unregulated businesses including electricity generation, rental equipment and provides metering services to PDI and other third parties.



## Proud to be an Employer of Choice in Peterborough

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Our Corporate Values were developed through an inclusive process where employees had direct input into helping to determine what values were most important to them and reflective of what an exceptional multi-discipline utility should aspire to. We believe these values help us provide excellence in service and financial performance and better returns for the community.



Our key values are:

**Respect:** We will be considerate of the opinions, values, beliefs and dignity of others and cultivate an environment of teamwork and collaboration.

**Environment:** We will promote and support resource conservation and sustainability, and conduct business in an environmentally responsible manner.

**Safety:** We will be leaders in safety and conduct our business in a way that protects the health and safety of employees, contractors and the communities we serve.

**Professionalism:** We will conduct our business with integrity and high ethical standards and be accountable for our behaviours and actions.

**Excellence:** We are committed to giving our full efforts in all that we do and striving for a culture of continual improvement.

**Customer and Community Focus:** We will provide value to the customers and communities we serve by providing reliable, efficient and quality service. We will contribute to the betterment of the communities we serve.

**Through these core values,** PUG will be a great place to work, a respected corporate citizen and leaders within our industries.

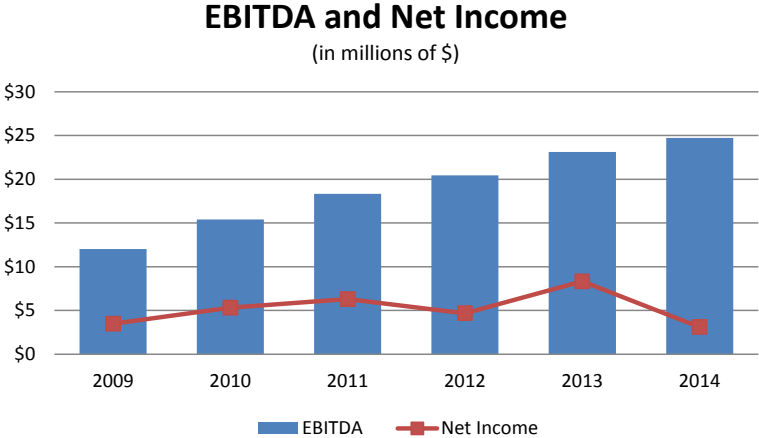




# 2014 CoPHI Financial Performance

## Net Earnings and EBITDA

In 2014, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased 5.6% to \$24.71 million (2013: \$23.31 million). Over the past six years, primarily as a result of investment in renewable generation assets, EBITDA has grown 105% from \$12.04 million in 2009, to its current level of \$24.71 million. Management considers EBITDA a strong measure of cash flow performance and our ability to fund our future growth and commitments to our capital providers.



Net income for 2014 was \$3.11 million compared to \$7.98 million in 2013. Earnings in 2014 were negatively impacted by a one-time \$4.31 million write-down of solar panels at Lily Lake. The favourable energy contract at Lily Lake will allow for profitable remediation of this matter in 2015. 2013 earnings of \$7.98 million represented an exceptional year which included a one-time favourable gain of \$979 thousand on the remeasurement of certain generation assets.

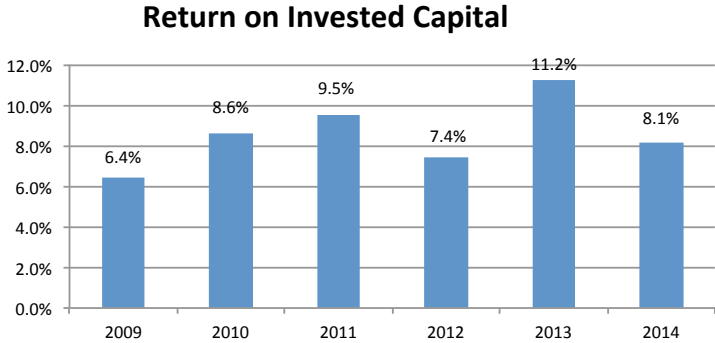
EBITDA, an important metric of our success, has more than doubled since 2009.

## Shareholder Returns

During the year, the company paid the City of Peterborough aggregate dividends and interest of \$5.23 million (2013: \$5.13 million) which included a 3% increase in dividends over the previous year. Cumulatively \$64.79 million in distributions have been paid to the City of Peterborough by the utility since its incorporation in 2000.

Prior to December 31, 2014, the City's investment in the CoPHI group was made up of a combination of common shares, shareholders' equity and secured loans to CoPHI and its subsidiaries. At December 31, 2013 the investment of \$100.04 million was represented by \$31.70 million in loans, common shares of \$28.40 million and retained equity of \$39.94 million. The return on invested capital earned by the City on this investment, in the form of interest and after-tax income, adjusted for the impact of the Lily Lake write-down, was 8.1% in 2014 and 11.2% in 2013.

A summary of the City's return on invested capital for the past several years is provided in the chart below:

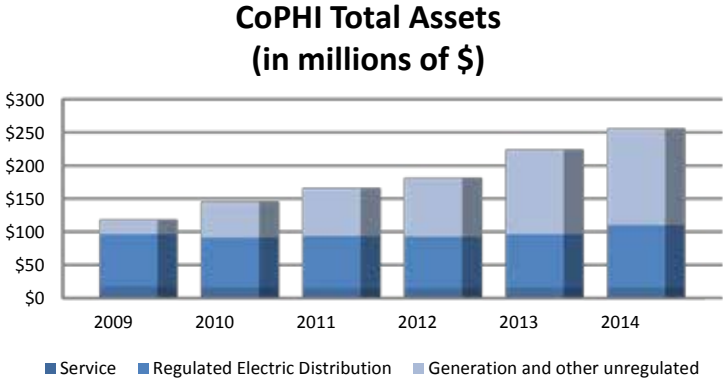


During 2014 the City converted its loans to CoPHI of \$31.70 million to shares. This increase in equity and reduction in debt provides the equity necessary to restore the company's debt-to-equity ratio in light of recent investments in renewable energy.

A total of nearly \$65 million has been paid to the City of Peterborough since 2000.

## Total Assets

Total company assets have increased 117% from \$118 million in 2009 to \$256 million in 2014. The vast majority of this growth has been in the generation business. Composition of company assets by principal business segment is illustrated in the following chart:



The company has increased the number of renewable generation projects in its portfolio utilizing diverse technologies such as solar, hydro and landfill gas. These strategic investments in renewable energy developments are environmentally positive, without increasing local distribution rates. Our investments not only generate shareholder returns for the City of Peterborough, they also allow us to reduce overall overhead costs of the distribution business thereby helping to reduce local distribution rates.





## Revenues

Total company revenue increased 5.25% from \$132.47 million in 2013 to \$139.42 million in 2014:

- Total regulated electricity and electrical distribution revenues increased by \$3.19 million, to \$102.83 million from \$99.64 million in 2013. This increase is due to the cost of electricity, transmission and wholesale charges collected on behalf of and remitted to others, in the amount of \$88.58 million (2013: \$84.54 million). The remaining regulated revenue of \$14.25 million (2013: \$15.10 million) is the distribution revenue earned by Peterborough Distribution Inc. Fiscal 2014 net distribution revenue decreased as a result of the removal of certain one-time regulatory adjustments for Smart Meters and other recoveries included in the 2013 distribution tariff.
- Total revenues from unregulated operations were \$21.54 million (2013: \$17.44 million). Generation revenue is the largest component of unregulated revenue and is the primary source of the \$4.10-million increase in revenue for the year. In 2014 generation revenue increased 31.7% to \$17.19 million. This increase was due to a full year of contributions from new generation facilities commissioned in 2013.
- Total revenues earned in the services company (PUSI), net of intercorporate eliminations, were \$15.05 million compared to \$15.39 million in the prior year.

## Operations and Administration Expense

The company's operations and administration expense of \$118.36 million (2013: \$112.77 million) increased by \$5.59 million compared to the previous year. The largest component of this expense is the cost of power and other wholesale market charges invoiced to the company and rebilled to our customers. In 2014 the cost of power was \$91.96 million compared to \$86.42 million in 2013 and accounted for the majority of the increase in operation and administrative expenses during the year. Other cost elements included in this category such as wages and benefits, materials and administrative expenses were comparable with the previous year.

## Amortization Expense

In 2014, the company's amortization expense of \$14.69 million was \$5.47 million higher than the previous year (2013: \$9.22 million). The increase in 2014 was a result of accelerated amortization related to solar panels at Lily Lake in the amount of \$4.31 million.

## Financing Expense

Financing costs of \$5.97 million were up \$1.61 million from the previous year as planned to finance the purchase of new generation facilities in the unregulated business.

## Commitment to Health & Safety

PUG is committed to protecting the health and safety of our 170 employees, customers, contractors, suppliers and the communities we serve. We believe that workplace injuries, accidents and occupational diseases are unacceptable and preventable and we promote continual improvement in our 'Quest for Zero' injuries. PUG reached over 2.5 million hours without a lost-time injury. Unfortunately, over the summer months of 2014, the company experienced its first lost-time injury in over nine years. The good news is that the employee has made a full recovery and is back at work.

The company successfully completed ZeroQuest, the Infrastructure Health & Safety Association's (IHSA) continual improvement program in 2014 and was recognized by IHSA with its Sustainability (Platinum) Award. Upon completion of the ZeroQuest Program, PUG adopted the ISO 18001 Health & Safety Management Standard and has undertaken internal audits to further improve our Safety Management Program.

PUG's safety performance has been recognized nationally. Canadian Occupational Safety, a Thomson Reuters business, recognizes Canadian companies that achieve excellent safety performance. PUG was named Canada's Safest Employer in 2012, and was recognized with Silver Awards in 2013 and 2014.

In addition, PUG was recognized by the American Water Works Association (AWWA) with the Wendell R. LaDue Safety Award of Excellence. This is the second time that the company has been recognized and presented with this award by the AWWA.



*Canada's Safest Employers Award 2014 Silver Winner*



*Peterborough Utilities was the only Canadian utility to win the AWWA Safety Award of Excellence.*



## Environmental Stewardship

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PUG is committed to supporting resource conservation and sustainability and was once again a sponsor and active participant in the Green Expo. This exposition in conservation and sustainability provides a wonderful venue for face-to-face conversation with our customers allowing staff to provide valuable information on energy and water conservation. We refer to it as 'Conversation on Conservation.' In addition, employees reached out to customers, through other community events including the Farmer's Market.

In support of Earth Day, employees coordinated their second tree planting event at two PUG facilities. Trees and shrubs were also planted at the Riverview Park & Zoo that will benefit local wildlife, adding to their natural habitat with Common Witch Hazel, Beaked Hazelnut, Black Chokeberry and Wild Plum.



We are committed to supporting resource conservation and sustainability.





# Operational Performance



## Peterborough Distribution Inc. (PDI) – Regulated Operations

### CUSTOMER RATES AND REGULATION

The regulated business (PDI) charges distribution rates as reviewed and approved by the Ontario Energy Board (OEB). The component of rates directly controlled by PDI represents approximately 20% of the residential customer's electricity bill. PDI's distribution rates for a typical residential customer consuming 800 kWh of electricity a month are in the lowest quartile amongst its peers.

The company continues to keep local distribution rates competitive with our peers and the industry, while at a level necessary to support key infrastructure investment. This investment improves both system reliability and the safe operation of the electric distribution system.

The electrical distribution rates charged by the company to its customers are approved annually by the OEB. The Board's mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers in obtaining reliable, cost-effective energy services. The rate setting format currently in place for the company provides for a detailed review of its costs every four years combined with annual rate adjustments based on an inflationary factor reduced by an amount to encourage productivity

savings. As a result of this process increases to the distribution rate component of our customers' electricity bill was limited to 1.25% in 2014. This rate increase was applied across all customer classes to both fixed and variable components of the bill.

Consistent with the OEB's mission, the OEB's Renewed Regulatory Framework is a performance-based approach that seeks: customer focus, operational effectiveness, public policy responsiveness and financial performance. To facilitate performance monitoring of distributors, in 2014 the OEB produced its first distributor scorecard, which tracks these outcomes. PDI's 2013 Scorecard published in 2014 is available on our website.

Residential Customer Bill - 800 kWh As of June 1, 2015		
1	Oshawa	\$ 128.76
2	Brantford Power	131.01
3	Barrie - Power Stream	131.67
4	<b>Peterborough</b>	<b>132.15</b>
5	Lakefront	133.52
6	Sudbury	134.49
7	Kingston	135.91
8	Niagara Peninsula Energy	135.97
9	Newmarket	133.48
10	Milton Hydro	138.15
11	North Bay	136.49
12	Veridian	137.35
13	Entegrus (Chatham)	137.72
14	Welland	140.08
15	Bluewater Power (Sarnia)	141.55
16	Whitby	142.56
17	Hydro One Networks (Urban)	146.18



1% **8 GWh**  
Street and Sentinel Lighting

36%  
**287 GWh**  
Residential  
Service

63%  
**495 GWh**  
General Service  
and Large Users

**117.6 million kWh**

Renewable Energy  
Generated

= enough to power  
12,250 homes



## INFRASTRUCTURE INVESTMENT

During the year, PDI continued to invest with capital expenditures of \$6.4 million in infrastructure, development and operational improvements.

On the investment side, construction began on a \$2.0-million distribution substation to reinforce supply to the growing 27.6 kV system in Peterborough. This is the first substation constructed since 1979. As well, \$2.9 million was invested in the rehabilitation of existing assets through our pole replacement, overhead and underground line replacement programs in 2014. An additional \$1.8 million was invested in new customer connections and residential subdivisions during the year.

An investment of \$400K was made to upgrade Geographic Information and Supervisory Control systems, and to improve the tools used to manage and optimize company assets now, and in the future. The information gathered will be used to create a comprehensive distribution system plan and improve operations.

A major construction project was completed to relocate the 44,000 Volt sub-transmission lines on London Street to facilitate the construction of the London Street GS expansion. As well, we continue to connect several rooftop solar projects in the City as part of the Ontario's Feed-In-Tariff program to promote renewable energy sources.

Other projects completed during the year included the installation of smart meters for all large customers, elimination of PCB-contaminated equipment in the distribution system and an asset condition assessment.

35,333 customers

564 km distribution line

11,280 poles

3,832 transformers

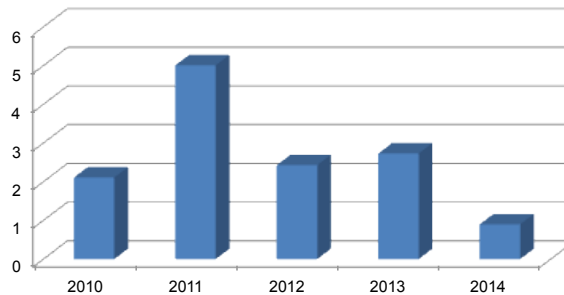


## OUTAGE AND EMERGENCY RESPONSE

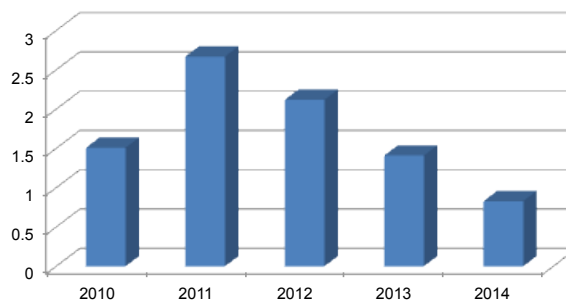
System reliability remains a top priority. While extreme weather due to climate change represents an uncontrollable element that can impact our service, the company works to continually deploy its asset management program, invest in new infrastructure, and target initiatives such as our tree trimming program, that can heavily impact system reliability.

As a result of these initiatives and comparatively calm weather conditions in 2014, reliability indicators tracked by the company and included in our OEB distributor score card were better than in any of the previous five years. As tracked by the OEB, and adjusted for loss of supply to PDI, the average number of hours that power to a customer was interrupted was 0.90 compared to 2.73 in 2013. The average number of times that power was interrupted annually to a customer decreased to 0.83 from 1.41 in 2013. A summary of these service indicators is provided in the charts below:

**Average number of Hours that Power to a Customer is Interrupted per year**



**Average number of Times that Power to a Customer is Interrupted per year**



< 1 hour total average  
power outage time

## CONSERVATION AND DEMAND SIDE MANAGEMENT

2014 marks the close of four years of current conservation programs. The provincially prescribed target of 7.46 MW reductions in demand has been a challenging target to meet. But in doing so, we have provided our customers with energy savings that will continue to provide savings for years to come. PDI, through the Ontario Power Authority, has issued over a million dollars each year in incentives to customers who have completed energy saving projects.

Our conservation group has always been out in the community attending community events; we made a concerted effort to increase our presence in 2014. In 2014 we increased our engagement with the Peterborough Chamber of Commerce, Peterborough Downtown Business Improvement Area and many other community-based organizations to further spread the word on energy conservation and promotion of our programs. This engagement will continue into 2015 and beyond.

We leave behind one program year and are about to begin planning for the 2015–2020 Conservation First Framework. Under the new framework, PDI will have the opportunity to create its own plan and custom programs to meet local needs and pilot new technologies. We are pleased to provide our customers with a new look and new opportunities for conservation and cost-saving programs.

Over the past four years, PDI has provided customers with incentives and rebates of more than a million dollars.

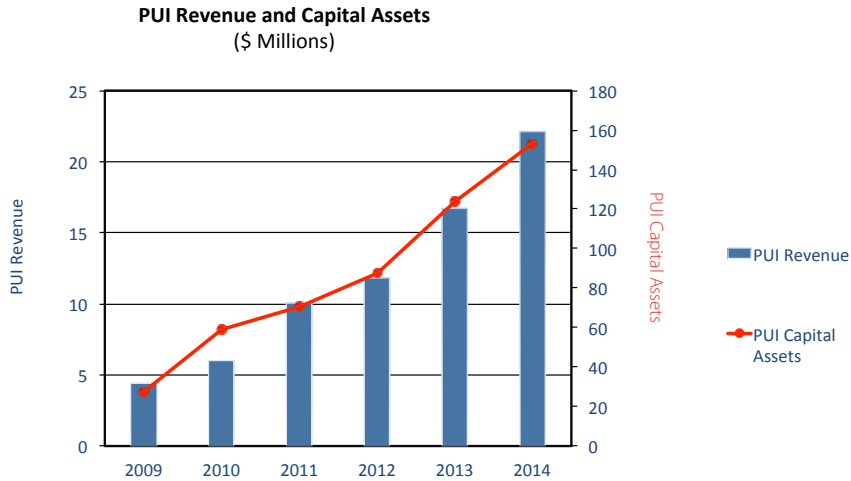
*PUG increased its community outreach in 2014*





## Peterborough Utilities Inc. (PUI) – Unregulated Operations

In keeping with our strategic direction, the unregulated business is continuing to make investments in renewable generation projects with long-term power purchase agreements that will yield substantive revenues for the foreseeable future. The annual growth in revenue and EBITDA are reflected in the following chart:



In 2014, the company commenced construction of a new 6.0 MW expansion of the London Street Generating Station with activities primarily focused on site excavation and hydraulic improvements downstream of the facility. Construction of the new powerhouse and installation of new turbines and generators will continue throughout 2015. The project is scheduled to commence commercial operation early in 2016.

Development continued on a 500 kW biogas project at the City of Peterborough’s Waste Water Treatment Plant. Environmental studies and engineering were completed, with the project scheduled to commence construction in the summer of 2015.

10,946 water heater customers

6 generation facilities

33.6 MW generation capacity

20.9 MW under development





*Excavation work to upgrade the London Street Generating Station.*

After an extensive review of the technology at the Lily Lake solar farm, the company made the decision to replace 2.5 MWs of the 10 MW facility which were deteriorating prematurely. The remaining 7.5 MW capacity of this facility utilizes a different solar module that is in good condition and has performed above expectations. Remediation work will be completed in 2015 incorporating new, made-in-Ontario solar technology that will produce almost 90% more revenue, providing us with a relatively quick payback period on this investment.

The company and the City of Peterborough established a joint solar development company in 2014 that was successful in securing 32 new Feed-In-Tariff (FIT) contracts for solar PV projects with an aggregate capacity of 14.5 MW, including a 438 kW rooftop solar project on the City of Peterborough's Kinsmen Civic Centre.

In addition to these projects, PUI successfully qualified to submit proposals for new hydroelectric and solar generation projects under the IESO's Large Renewable Procurement (LRP) program that will be undertaken in 2015. Management continues to explore redevelopment possibilities at other existing generating facilities and develop new generation available under various IESO generation procurement initiatives.

The company's other primary unregulated business unit provides wholesale meter services to clients throughout Ontario. This business unit had a banner year in 2014 with revenues exceeding target by approximately 50%.





## Services Operations

### WATER SERVICES

Through the operation of the services company, Peterborough Utilities Services Inc. (PUSI), we provide full municipal water services for the PUC to City of Peterborough customers. This includes water utility operations and capital asset planning, rehabilitation and replacement; water and wastewater services to the Township of Selwyn to operate both the Village of Lakefield and Woodland Acres systems; and the operation, maintenance and capital upgrades for the Riverview Park & Zoo.

With most of the single-family residential water metering completed in 2013, focus turned to new multi-residential metering and ICI meter replacements in 2014. New water rates were established for the migration to metered billing that successfully occurred in September 2014.

Peterborough, Lakefield and Woodland Acres Drinking Water Systems maintained full accreditation to the Drinking Water Quality Management Standard. A very successful full third-party audit was conducted in October 2014.

In addition, during 2014, the Ministry of Environment & Climate Change performed an inspection of the Peterborough and Lakefield Water Treatment Plants, and the Woodland Acres distribution system. All water systems achieved a 100% inspection rating.

A major capital project started at the Water Treatment Plant, to construct a redundant chlorine contact tank and additional reservoir storage. This will allow us to remove from service the existing 1921-vintage chlorine contact tank and reservoir for renovations in 2016.

Capital works in Peterborough also included the replacement of approximately 1.8 kilometres of distribution water mains; installation of 4,031 meters of new subdivision water mains; and approximately 4.2 kilometres of existing water main rehabilitation.

We continued our research partnership with the University of Toronto NSERC Chair, Dr. Robert Andrews. A coagulation study was completed and an ozone contactor was installed along with biofiltration columns to study ozone and biological treatment processes on Otonabee River water.



27,764 customers  
422 km water mains  
2,289 water hydrants  
12.7 million litres of water processed

*Below: Ozone contactor installed to study effects of advanced oxidation on Otonabee River water*



*Above: Biofilters added at the Peterborough WTP Pilot Plant*



*Water Treatment Plant staff*

*Kevan Light won the AWWA's Operators Meritorious Service Award*







## RIVERVIEW PARK & ZOO

Ongoing improvements to Park & Zoo facilities and equipment continued in 2014 and included upgrades to several animal exhibits, replacement of the splash pad's rubberized surface, renovations to the playground and the commencement of construction of the Guest Services and Rotary Education Centre Building.

The zoo's animal collection saw many changes in 2014 with the deaths of several of our older animals as well as new acquisitions. Notably, we lost the last of our cougars in the spring and one of our black and white ruffed lemurs later in the year. New animals included baby meerkats, wallabies, an agouti, and our first-ever Sichuan takin.

On October 9, the Animal Care Team successfully assisted with the hatching of a baby Sulawesi forest turtle (*Leucocephalon ywonei*). This is significant as the species (native only to Sulawesi Island in Indonesia) is critically endangered. There is a world-wide effort to manage a sustainable captive population to preserve the species but successful hatchings are extremely rare. We believe this is the first successful hatching in Canada.

The James Hamilton miniature train ride operated daily from May until September with an estimated 95,000 train riders for the year.

Auditors from CAZA/AZAC conducted a three-day inspection and audit and the Park & Zoo was subsequently granted re-accreditation at the CAZA/AZAC conference in late September.

*The Animal Care Team was pleased to be part of a rare successful Sulawesi forest turtle hatching.*



Park & Zoo animal care staff assisted the MNR with the capture of a male cougar that was loitering near a residence in Grafton. The cougar was subsequently brought to our quarantine holdings in the Animal Health Care Centre to be held for the MNR while they conducted an investigation. During our examination of the cougar we were able to determine that he had been a captive animal.

Regular and emergency veterinary care was provided by Dr. John Sallaway, throughout 2014. In early November zoo staff, along with our consulting veterinarians Dr. Cranfield and Dr. Sallaway performed annual animal care for the zoo animal collection. During the five-day round-up, 82 animals were examined and/or treated as part of their health care program. This included physical exams, surgery, numerous inoculations/treatments, blood samples, the trimming of many hooves/claws/beaks/tusks, dentistry and dental cleaning.

Our seasonal conservation and education exhibit opened on June 20. The exhibit focused on the species at risk in Ontario with a focus on what people can do to make a difference. Riverview also continued to support the conservation work of the Kawartha Turtle Trauma Centre.

Riverview Park & Zoo continues to be a popular destination for people locally and from far afield.

*Construction of the new Guest Services and Rotary Education Centre Building was completed in 2014.*



## CUSTOMER SERVICE

2014 was another very busy year for customer service. Even a year with little regulatory change presents its challenges. In 2014, we introduced one of the largest changes in billing since time-of-use billing was introduced. In September of 2014, billing of metered water commenced for all residential customers.

Purposely introduced in the off-season for water usage, this allowed customers to become familiar with their water usage. Prior to the go-live on metered water, there was a lot of preparation that took place to ensure a seamless transition from flat rate to metered water.

We held two Town Hall Meetings in the spring which provided information and a forum for customers to voice concerns and have their questions answered. We provided most residential customers with metered water 'shadow bills.' Although we started billing in September of 2014, many customers' meters had been installed for over a year. This provided us with the data to show a comparison between the amounts customers were paying on flat rate water compared to their actual meter usage. This information allowed the customer to take action to manage their usage before the go-live of metered billing.

With the shadow bills in hand, many customers discovered that they had leaks in their homes or simply found they just used more water than anticipated and allowed them to take action. Since we receive frequent readings from the new water meters, we were able to proactively inform customers that we suspected they may have a leak.

Customers have been on metered water for over six months now and are armed with information and data to monitor their water usage and manage their water costs.



78,526 calls

2,224 Facebook likes 

4,749 followers on Twitter

 6,293 tweets since 2011



With the increase in water calls and appointments for meter installations, customer service was a very busy department. Staff fielded 78,526 calls in 2014 while answering 83.1% of them in 30 seconds or less, with only 1.8% of the calls abandoned. These statistics well exceed the requirements mandated by the OEB.

In order for metered water billing to take place, we had to ensure that the Automated Metering Infrastructure and the meters themselves were operating at billing-ready levels. This required many configuration changes to our Customer Information System.

The addition of the 23,000 water meters onto an existing system in place for electric billing required caution and care. The system needed to be optimized to ensure meters were producing bill-ready readings on a consistent basis and the data flow and integration of many systems were configured to accommodate these readings.

The systems performed as anticipated providing our customers with timely and accurate billing with a reading success of 98% on a daily basis.



*PUG employs many Fleming College graduates.*



## Community Involvement

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We continue to show strong support towards the United Way in its efforts to serve and provide services to those in need in our community by raising more than \$145,000 over the past seven years.

Employees also participated in the Heart & Stroke Foundation's Big Bike and are proud to be recipients of the 2014 Team Spirit Award.

PUG has been a member of Canadian Blood Services as a Partner For Life since 2009. The company supports and promotes blood donation and provides employees with time off to donate.

Every December, PUG staff shop early for the Children's Aid Angel Tree Program. Fifty children received gifts from employee sponsors in 2014.

Each year, PUG has 10 to 15 students attend Take Your Kids to Work Day. The event is coordinated through the Ministry of Education and allows Grade 9 students to attend work with a parent or family member to learn about different career opportunities. A full-day event including a tour of PUG facilities is coordinated for the students, highlighting the many different careers available at PUG.

On a yearly basis, PUG provides funding to the Housing Resource Centre through the FUSE Fund (Funding for Utility Service Emergencies). This fund assists customers who may have difficulty paying their utility bills. Since its inception in 2003, the fund has directly assisted close to two thousand families ensuring that they are living in a warm and safe environment.

Being active in our community is one of our values and we take it to heart.





## Board of Directors

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The Board of Directors is committed to maintaining the highest corporate governance standards. Leaders from business and government, board members are dedicated individuals who are actively engaged in the strategic direction of City of Peterborough Holdings Inc.



*Left to Right, Front Row: David Nichols, Scott Baker, Mayor Daryl Bennett, David Bignell, Louise Lalonde*

*Back Row: Bryan Wier, David Paterson, David Clark, Bob Lightbody, Nancy Brown Andison*

*Absent: Councillor Dan McWilliams*

## Executive Team

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*John Stephenson  
President & CEO*



*Byron Thompson  
CFO*



*Jeff Guilbeault  
Vice-President  
Electric Services*



*Wayne Stiver  
Vice-President  
Water Services*



*John Wynsma  
Vice-President  
Generation  
& Retail Services*



*Carrissa McCaw  
Director  
Human Resources  
& Safety*



*Carrie Rucska  
Director  
Information  
Technology*



*David Whitehouse  
Director  
Customer &  
Corporate Services*





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## INDEPENDENT AUDITORS' REPORT

### REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To The Shareholder Of  
City Of Peterborough Holdings Inc.

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, the summary consolidated statement of income and comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the years ended December 31, 2014 and December 31, 2013, are derived from the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, of the City of Peterborough Holdings Inc. for the years then ended. We expressed an unmodified audit opinion on those financial statements in our report dated April 10, 2015. Those financial statements and the summary financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the City of Peterborough Holdings Inc.

#### Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with International Financial Reporting Standards.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

#### Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of the City of Peterborough Holdings Inc. as at December 31, 2014, December 31, 2013 and January 1, 2013 and for the years ended December 31, 2014 and December 31, 2013 are a fair summary of those consolidated financial statements, in accordance with International Financial Reporting Standards.

*Collins Barrow Kewarthis LLP*

Chartered Professional Accountants  
Peterborough, Ontario  
July 9, 2015

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an independent member of  
**BAKER TILLY**  
INTERNATIONAL

# Consolidated Statement of Financial Position

As at December 31, 2014, December 31, 2013 and January 1, 2013

(\$s in thousands)	2014	2013	Jan 1, 2013
	\$	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10,531	13,084	11,533
Restricted cash	2,995	2,102	775
Accounts receivable	9,802	10,744	9,343
Unbilled revenue on customer accounts	9,714	10,892	9,264
Income taxes receivable	727	592	75
Inventories	1,766	1,886	1,969
Prepaid expenses	445	667	566
	35,980	39,967	33,525
<b>Other assets</b>			
Investment in significantly influenced company	-	-	5,169
Intangible assets	4,646	4,862	2,761
Property, plant and equipment	205,370	196,944	158,507
Deferred tax assets	4,411	4,302	4,860
	214,427	206,108	171,297
Regulatory assets	5,388	2,801	1,457
	255,795	248,876	206,279
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	20,270	13,904	16,508
Customer deposits refundable within one year	710	704	784
Current portion of provisions	166	174	152
Construction loan	-	15,660	-
Current portion of long-term debt	5,290	4,524	2,768
	26,436	34,966	20,212
<b>Long-term liabilities</b>			
Customer deposits	1,245	1,044	948
Deferred contributions	12,409	11,436	10,337
Derivative financial instruments	2,534	981	1,056
Long-term debt	100,074	84,671	63,145
Deferred tax liabilities	7,217	7,662	6,532
Employee future liabilities	6,024	6,195	6,811
Provisions	759	769	687
Due to shareholder	-	31,699	31,699
	130,262	144,457	121,215
<b>Shareholders' equity</b>			
Share capital	60,098	28,399	28,399
Accumulated other comprehensive income	(2,362)	(1,473)	(2,016)
Retained earnings	41,043	41,414	36,815
	98,779	68,340	63,198
Regulatory liabilities	318	1,113	1,654
	255,795	248,876	206,279

# Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2014

(\$s in thousands)	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	139,417	132,469
<b>Expenses</b>		
Operations and administration	118,360	112,766
Amortization	14,693	9,216
	133,053	121,982
<b>Income from operations</b>	6,364	10,487
<b>Other expense (income)</b>		
Net finance charges	5,967	4,354
Loss (income) from investment in significantly influenced company	-	(496)
Gain on remeasurement of investment upon business acquisition	-	(979)
Loss (gain) on disposal of property plant and equipment	-	144
	5,967	3,023
<b>Income before income taxes and regulatory items</b>	397	7,464
<b>Net movement on regulatory deferral accounts</b>	3,382	1,885
<b>Income before income taxes</b>	3,779	9,349
<b>Provision for income taxes</b>		
Current	902	1,158
Deferred (recovery)	(234)	211
	668	1,369
<b>Net income for the year</b>	3,111	7,980
<b>Other comprehensive income (loss)</b>		
Employee benefit plan actuarial gains (losses)	342	699
Related deferred tax	(90)	(211)
Change in fair value of derivative instruments	(1,553)	75
Related deferred tax	412	(20)
<b>Other comprehensive loss for the year</b>	(889)	543
<b>Total comprehensive income for the year</b>	2,222	8,523



## Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

(\$s in thousands)

	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
	\$	\$	\$	\$
<b>Balance, January 1, 2013</b>	28,399	36,815	(2,016)	63,198
Net income for the year		7,980	-	7,980
Actuarial loss on accrued employee benefit liabilities, net of tax		-	488	488
Change in fair value of hedging instruments, net of tax			55	55
Dividends paid		(3,381)	-	(3,381)
<b>Balance, December 31, 2013</b>	28,399	41,414	(1,473)	68,340
<b>Balance, January 1, 2014</b>	28,399	41,414	(1,473)	68,340
Net income for the year		3,111	-	3,111
Actuarial gain on accrued employee benefit liabilities, net of tax			252	252
Change in fair value of hedging instruments, net of tax			(1,141)	(1,141)
Issuance of common shares	31,699			31,699
Dividends paid		(3,482)	-	(3,482)
<b>Balance, December 31, 2014</b>	60,098	41,043	(2,362)	98,779

# Consolidated Statement of Cash Flows

For the year ended December 31, 2014

(\$s in thousands)

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>Operating activities</b>		
Net income for the year	3,111	7,980
Charges to operations not requiring a current cash payment		
Amortization	14,693	9,216
Deferred income tax (recovery)	(234)	211
Current income tax	902	1,158
Net finance costs	5,968	4,354
Recognition of contributed capital	(340)	(317)
Loss on disposal of property plant and equipment	-	144
Loss (income) from investment in significantly influenced company	-	(496)
Gain on remeasurement of investment upon business acquisition	-	(979)
	24,100	21,272
Change in non-cash working capital items	8,786	(5,298)
Taxes paid	(1,037)	(1,675)
Interest received	337	388
Change in customer deposits	207	16
Increase in employee future liabilities	171	56
Receipt of deferred contributions	1,313	1,416
	33,877	16,175
<b>Investing activities</b>		
Business acquisitions, net of cash acquired	-	(5,158)
Purchase of property, plant and equipment	(22,708)	(15,514)
Proceeds of disposal of property, plant and equipment	-	24
Decrease (increase) in regulatory assets and liabilities	(3,382)	(1,885)
Transfers to restricted cash account	(893)	(1,327)
Investment in significantly influenced company	-	(106)
	(26,983)	(23,966)
<b>Financing activities</b>		
Proceeds of construction loan	1,840	15,660
Repayment of construction loan	(17,500)	-
Proceeds from long term debt	21,000	6,158
Repayment of long-term debt	(4,831)	(3,883)
Repayment of shareholder debt	(31,699)	-
Issuance of share capital	31,699	-
Interest paid	(6,474)	(5,211)
Dividends paid	(3,482)	(3,381)
	(9,447)	9,343
<b>Net increase (decrease) in cash</b>	<b>(2,553)</b>	<b>1,551</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>13,084</b>	<b>11,533</b>
<b>Cash and cash equivalents - end of year</b>	<b>10,531</b>	<b>13,084</b>







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