



City of Peterborough Holdings Inc.

# ANNUAL REPORT 2018





Our 2018 Annual Report	1
We Start with Safety	2
Community Involvement	2
Proud to Be an Employer of Choice	3
Environmental Stewardship	4
Energy Conservation	6
Water Conservation	8
Business Overview	9
2018 CoPHI Financial Performance	10
Operational Performance	16
Independent Auditor's Report	31
Board of Directors and Executive Team	36
Companies and Committees	37

FRONT COVER: Asphodel-Norwood Community Centre rooftop solar panel installation.

BELOW: PUG staff conduct in-water rescue training at the London Street hydroelectric generating station.



## Our 2018 Annual Report

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We are very pleased to provide the Annual Report for the City of Peterborough Holdings Inc. (CoPHI) for the fiscal year ended Dec. 31, 2018. The City of Peterborough Holdings Inc. operates electricity and water distribution systems in the City of Peterborough and surrounding communities. The Company also develops and operates renewable hydro and solar generation facilities and operates a wholesale metering business. The Company and its related entities operate as the Peterborough Utilities Group.

Fiscal 2018 was a year of significant change. The Ontario electricity industry is undergoing major renewal through electricity market redesign and changes to energy governance and policy. All changes point to embracing the need for lower electricity prices, better integrated system planning and increasing the focus on conservation and climate change action. The consumer's desire for better information and technologies to contribute to a smaller energy footprint, as well as the evolution of distributed generation, continue to spur on the need for industry change and for companies to be dynamic participants in supporting the consumer.

With the new Ontario provincial government in June 2018, there have been substantial changes to energy policy direction. Renewable generation development under contract has been cancelled and future development curtailed. Provincially sponsored conservation programs delivered by Local Distribution Companies, like Peterborough Distribution Inc., have been cancelled. Methods for supporting climate change action are being challenged and debated. The industry regulator, the Ontario Energy Board, is undergoing substantial governance reform. However, the pursuit of energy price reduction and an even more efficient electricity system continues to be job-one.

Amid this evolution and uncertainty, CoPHI has continued to excel at holding the course in terms of delivering the best value and service to its customers, and doing so without compromising the safety of its employees or the public.

In responding to the changes, the Company completed its commercial arrangements to dispose of the regulated business, and awaits regulatory approval. The Company continued to develop and construct key renewable generation projects that will provide renewable energy for years to come. The efforts of the Company over the past several years have provided a base for renewable energy equivalent to powering approximately 52% of the City's supply. The Company has been a conservation leader in providing its customers with opportunities to reduce their consumption.

The fiscal 2018 financial results reflect another strong year for the Company, albeit somewhat less than the high-water mark results of fiscal 2017.

Thank you to our customers, supporters and employees for their contributions to 2018. Thank you to the Board of Directors for their leadership and oversight of the Peterborough Utilities Group. Additional thanks go to the Commissioners of the Peterborough Utilities Commission for their oversight of the water operations of our business.

Please enjoy reading this Annual Report of our many accomplishments in 2018.



John Stephenson  
President and CEO  
Peterborough Utilities Group



David Bignell  
Chair  
City of Peterborough Holdings Inc.

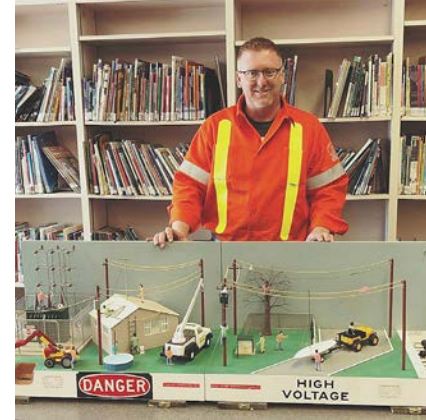


## We Start with Safety

PUG is committed to protecting the health and safety of our 170 employees, customers, contractors, suppliers and the communities we serve. We believe that all workplace injuries, accidents and occupational diseases are unacceptable and preventable, and we promote a culture of continuous improvement. Our safety performance is exemplary within the industries in which we perform, with one lost-time injury in the past 12 years.

The ISO 18001 Health & Safety Management Standard was selected by PUG to align the program with a high standard that provides opportunities for continuous improvement. A third-party audit was completed in late 2016 that confirmed that PUG's safety management system is in good standing and is ISO-compliant.

PUG's safety performance has been recognized nationally. Canadian Occupational Safety recognizes Canadian companies that achieve excellent safety performance. PUG was awarded Canada's Safest Employer in 2012, and was recognized with a Silver Award in 2013, 2014, 2015, 2017 and 2018.



## Community Involvement

One of PUG's core values is Community Focus. Our employees embody the importance of this value by volunteering and giving back to the communities we live in and serve.

Our employees continue their strong support for the United Way in their efforts to provide services to those in need in our community. They raised more than \$15,000 in 2018, bringing their fundraising total for the United Way to more than \$185,000 over the past 12 years.

In 2018, PUG staff continued the annual tradition of shopping early for the Children's Aid Angel Tree Program to help add a little magic to a local child's Christmas. Forty children received gifts from an employee sponsor in 2018; gifts were also provided to a family in need.

Employees also teamed up to participate in the Dragon Boat races, as the PUG Wild Water Power team, for the second year in a row. With tremendous team spirit, they raised \$4,235.54 for the Peterborough Regional Health Centre for the best diagnosis, treatment and care of breast cancer.

Our employees are community focused and do their part to make Peterborough a great place to live and visit.



## Proud to Be an Employer of Choice in Peterborough

Peterborough Utilities strives to be the investment of choice for our shareholder, the employer of choice for exceptional people and the best utility-provider we can be for our customers.

In order to achieve this mission, PUG strives to build and maintain a workplace culture that includes values that are important to, and developed by, our employees.

### PUG Values



**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 the highest ethical standards and be accountable for our behaviours and actions.

**Excellence:** We are committed to giving our full effort in all that we do. We strive for a culture that embraces continual improvement.

**Customer and Community Focus:** We will provide value to the customers and communities we serve by providing reliable, efficient and high-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 a leader within its industries.



*Cathy Mitchell is the winner of the 2018 President's Award. Cathy is an outstanding employee who participates in many community betterment activities including as the co-chair of the Sustainable Peterborough Business Initiative working group for the past seven years, and through her volunteer work with GreenUP.*

## Environmental Stewardship

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It is not enough for PUG to merely value environmentalism and sustainability. As a leader in conservation, the community looks to us to implement new environmental programs and play a leading role in putting forward ideas that help people embrace environmentalism.

This year, PUG won the Sustainable Peterborough Award in the category of Energy.

### 2018 HIGHLIGHTS

- By helping our customers recognize areas in which they could conserve energy, we succeeded in bringing about energy reductions of more than 38 GWh across our community.
- We installed osprey nests near the London Street Generation station.
- We have many beehives located at our facilities which produced more than 500 lbs of honey in 2018 and we sell it at Riverview Park & Zoo.
- At our Lily Lake solar farm, more than 300 sheep act as nature's lawnmowers, trimming the grass in and around the solar panels, to the perfect height – naturally.
- More than 800 households were reached by the PDI AffordAbility Fund Trust, helping to conserve energy, and make their lives more comfortable and affordable.
- In our Shifting Gears Challenge, telecommuting staff walked, pedaled, bussed and carpooled to work, not only helping the environment but getting more fit as well.
- As a major funder of GreenUP, we supported a wide variety of conservation programs and projects including the rain barrel subsidy and education program which helped 150 people in Peterborough purchase a water barrel to collect and reuse rainwater and Water Wise Wednesdays, offering residents conservation workshops.
- In 2018, we expanded our Water Wise program to include businesses. This popular community program recognizes gardens in Peterborough that are beautiful and at the same time don't require a lot of water to sustain them.
- We planted 100 drought-tolerant plants in the Water Wise garden at PUG's front entrance. Not only is the garden attractive, but it acts as a demonstration site for drought-resistant gardening
- Blue W Ptbo is a program that allows the public to refill any reusable water bottle at more than 80 participating shops and restaurants in Peterborough. A Blue W decal in the window lets people know they can come in and get clean, cold tap water without having to make a purchase. Visit [bluewptbo.ca](http://bluewptbo.ca) for more information.



>80 restaurants and shops in Peterborough  
proudly display the BlueW in their window





## Energy Conservation

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Peterborough Utilities Group (PUG) is invested in sustainability and ensuring cost effectiveness, while promoting conservation and a healthy environment. Our priorities include the promotion of: electric transportation systems; efficiently run home and business programs; low-income affordability; employee and community engagement; education outreach; and increasing tourism for our region.

### 2018 HIGHLIGHTS

- Helping thousands of people in our communities to save money through PDI conservation programs. Those dollars flow back into the local economy. In 2018, preliminary results indicate that we have achieved 89% of our six-year target of 38 GWh – two years ahead of schedule – using just 49% of the allocated budget.
- The AffordAbility Fund Trust has enabled more than 800 families in our region to replace inefficient and outdated electronic appliances and devices and upgrade their home insulation, helping them to live more comfortably and affordably. Approximately \$250,000 in energy efficient measures were installed in these homes.
- More than 3,470 charging transactions were completed in 2018 at the nine Electric Vehicle (EV) charging stations installed in Peterborough, Lakefield and Norwood. Installation of all charging stations was completed in February 2017 and we provided free charging to all EV drivers until June 25, 2018. On June 25, 2018, we initiated a charge of current market rates (\$15 per hour for a level 3 charge and \$1.5 per hour for a level 2 charge) resulting in revenues of \$8,679.80 for the last six months of 2018.





## CONSERVATION COMMUNITY ENGAGEMENTS

### January 2018

- Savings By Design Workshop, in partnership with Enbridge and the TVM Group engineering and construction team
- Construction Association Meeting
- Partnership with Hydro One Networks Inc. (HONI), The Ontario Home Builders Association (OHBA), Peterborough Construction Association and the conservation department.

### February 2018

- Engineering High Performance New Construction (HPNC) session
- Contractors Breakfast Session series
- Canoe Museum Savings By Design workshop, in partnership with Enbridge

### April 2018

- Earth Day PUG
- 2018 Sustainable Peterborough event and awards
- JA Canada (Junior Achievement) – World of Choices event

### August 2018

- Riverview Park & Zoo conservation exhibit
- Conservation and customer service department Event Day, Aug. 10

### October 2018

- 2018 Love Local Expo trade show, in partnership with the Greater Peterborough Chamber of Commerce, Oct. 3

### November 2018

- Greater Peterborough Chamber of Commerce (Peterborough Business Exchange) PBX-hosted event
- Partnership with Trent University

### December 2018

- Ontario Energy Manager Awards, in partnership with PepsiCo Canada Quaker and IESO (Independent Electricity System Operator)

3,470,519 kWh saved in 2018  
enough to power 3,470 houses

## Water Conservation

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In 2018, the Water Services department installed a Water Wise demo garden at PUG Head office. We also funded Peterborough Risk Watch, to educate children about how to be safe around water and dams and at Riverview Park & Zoo.

We subsidized purchases by our customers of 170 rain barrels, from our partner, GreenUP. In partnership with GreenUP, we also funded three Water Conservation Education workshops, which included information on the water and energy conservation benefits of our urban forest, appropriate tree selection and care, and information about planting low-water gardens on residential or school properties and planting a rain garden using resilient and deeply rooted native plant species. These were filmed and edited to be used as online resources.

We continued to fund the Water Wise Landscape Recognition Program, with a Water Wise Garden Starter Kit (garden-in-a-box) to get our customers started on making the change to drought-resistant landscaping. The Water Wise website at [greenup.on.ca/program/waterwise](http://greenup.on.ca/program/waterwise) has a map for a self-guided Water Wise Garden Tour which includes beautiful Water Wise gardens in the area. On the website is a form to nominate a front yard or business in the City of Peterborough that is Water Wise. In 2018, businesses were added to the Water Wise program, encouraging business owners to become Water Wise.

With GreenUP, we funded the BlueW Ptbo program, [greenup.on.ca/program/blue-w-ptbo](http://greenup.on.ca/program/blue-w-ptbo). This program promotes municipal tap water as a healthy, easily accessible alternative to bottled water. An app provides mapped details on where to find clean, free public and commercial sources to fill reusable bottles. Participating locations display a co-branded Blue W decal in their windows. We also provided reusable water bottles to participating businesses to provide to someone who may not have one. GreenUP continues to promote the program and add new locations to the list.

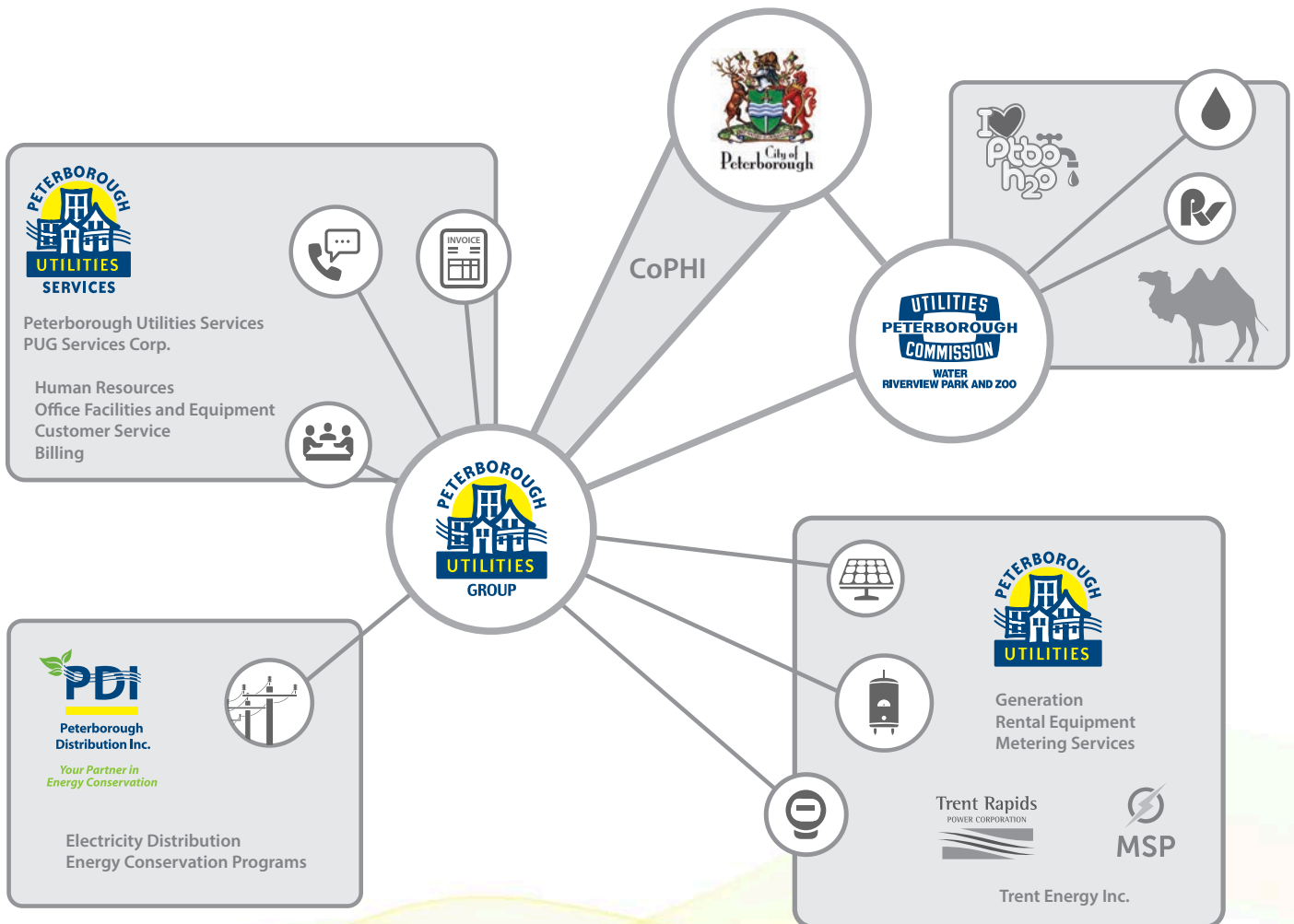
Also in 2018, we continued the Nature's AC Urban Forest Program, purchasing three large-stature native trees in the Ecology Park and expanded the children's willow tunnel to showcase the benefits of trees and drought-tolerant shrubs in our urban landscapes. More information is available at [greenup.on.ca/program/natures-ac-urban-forest-program](http://greenup.on.ca/program/natures-ac-urban-forest-program).





## Business Overview

In preparation for the sale of PDI assets, a new services company – PUG Services Corp. (PUGSC) – was created in 2018. PUGSC operates in a similar manner to PUSI, providing similar management and professional services. During the year, all employees and assets relating to non-PDI activities that were held in PUSI were transferred to PUGSC.



# 2018 CoPHI Financial Performance

## Overview

The 2018 audited financial statements, a condensed summary of which is included in this report, have been prepared on the basis of Peterborough Distribution Inc. (PDI) being treated as a discontinued operation. On July 31, 2018, the City of Peterborough, CoPHI, Hydro One Inc. and their relevant subsidiaries, entered into an Asset Purchase Agreement to sell the business and distribution assets of PDI to Hydro One. The Ontario Energy Board (OEB) is currently reviewing the proposed transaction, with final regulatory approval expected in late 2019. As such, all PDI-related accounts have been included in this report, and segregated as activities from discontinued operations on the financial statements. As the City of Peterborough provided shareholder authorization for the transaction in December 2016, the 2016 and 2017 audited financial statements were also prepared on the basis of PDI being treated as a discontinued operation.

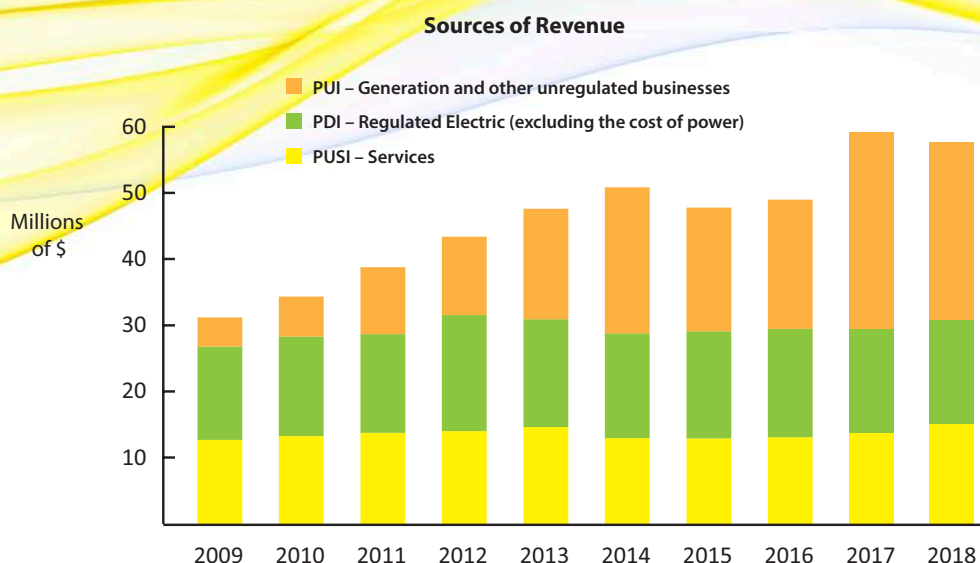
## Revenue

Throughout 2018, PUG continued to focus on three main areas for revenue growth:

1. Increasing the capacity of its renewable generation business;
2. Optimizing its existing portfolio of renewable generation assets; and
3. Increasing the scope of its professional services offerings to neighbouring communities.

This ongoing commitment to growing its business has resulted in a 126% increase in CoPHI's revenue since 2009 (excluding PDI) with total revenue (excluding PDI) increasing from \$18 million in 2009 to \$40.6 million.

The chart below illustrates the components of revenues since 2009, including PDI but excluding the cost of power, which increased from \$32.1 million in 2009 to \$57.5 million in 2018.



*Note: Chart includes PDI, which has been classed as a discontinued operation for financial statement purposes.*



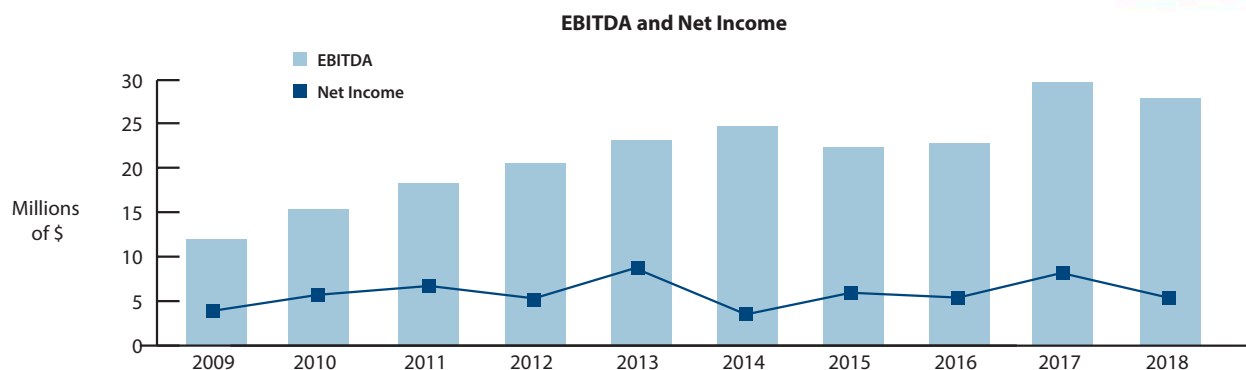
## Net Earnings and EBITDA

Net income for 2018 was \$4.77 million, compared to \$8.49 million in 2017 and \$4.95 million in 2016.

Net income in 2018 was negatively impacted by an impairment charge taken for accounting purposes on the Bensfort Road Landfill Gas Generation Facility. As available gas volumes have never reached the original target levels, the charge was required to properly reflect the value of the asset to the company moving forward. Excluding this charge, net income for 2018 was \$6.63 million.

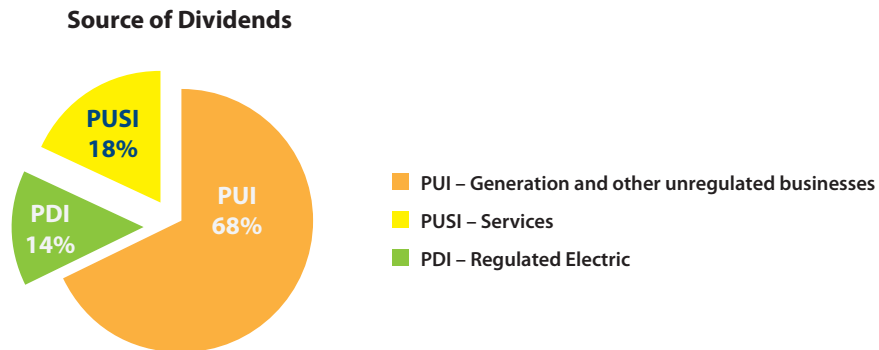
In 2018, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) decreased to \$28.18 million compared to \$29.58 million in 2017. The results in 2017 were positively impacted by weather conditions throughout the year, which resulted in increased hydroelectric generation. Excluding this exceptional year in 2017, EBITDA in 2018 was higher than in all other previous years as a result of the continued expansion of our renewable generation assets. Over the past nine years, EBITDA has grown 148%, from \$11.37 million in 2009 to its current level of \$28.18 million. Management considers EBITDA a strong measure of cash flow performance and our ability to fund future growth and commitments to our capital providers.

EBITDA, an important metric of our success,  
has increased 148% since 2009

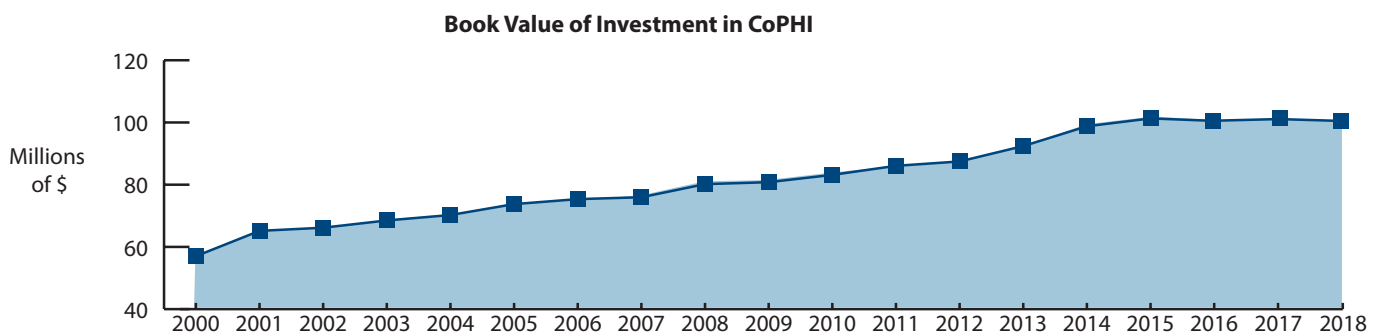


## Shareholder Returns

During 2018, the company paid the City of Peterborough dividends of \$5.67 million (2017: \$5.55 million), a 2.1% increase over the previous year. Cumulatively, \$84.97 million in distributions (dividends and interest) has been paid to the City of Peterborough by the utility since its incorporation in 2000. The distributions to the City are funded by the operating companies of CoPHI. As a result of capital requirements and regulatory restrictions impacting cash flow in PDI, the majority of the distribution in 2018 was provided by PUI and the unregulated business, as illustrated in the chart below.



In addition to receiving dividends from CoPHI each year, the City also benefits as the value of its investment in CoPHI increases. Since 2000, the carrying value of the City's total investment in CoPHI has increased from approximately \$57 million in 2000 to over \$100 million currently. This value does not reflect fair market value premiums that may exist if the assets of the company have appreciated beyond their cost.

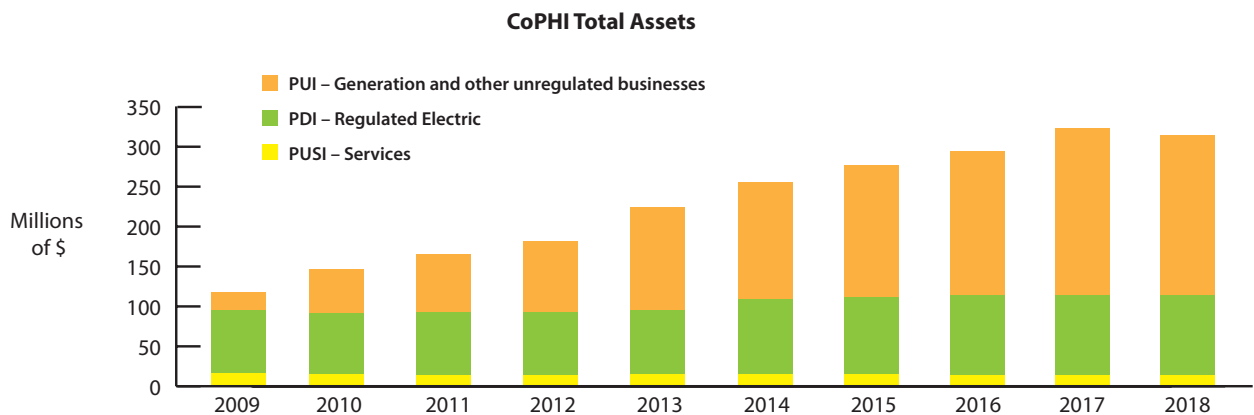




## Total Assets

Since 2009, the company has strategically increased its non-regulated business and, in particular, its renewable generation portfolio. These investments are environmentally positive, without increasing local distribution rates. The increase in new generating assets continues to provide the company with new sources of cash flow and increased revenues. Total company assets have increased 170%, from \$118 million in 2009 to \$319 million in 2018, with assets in PUI increasing by 817% over the same period.

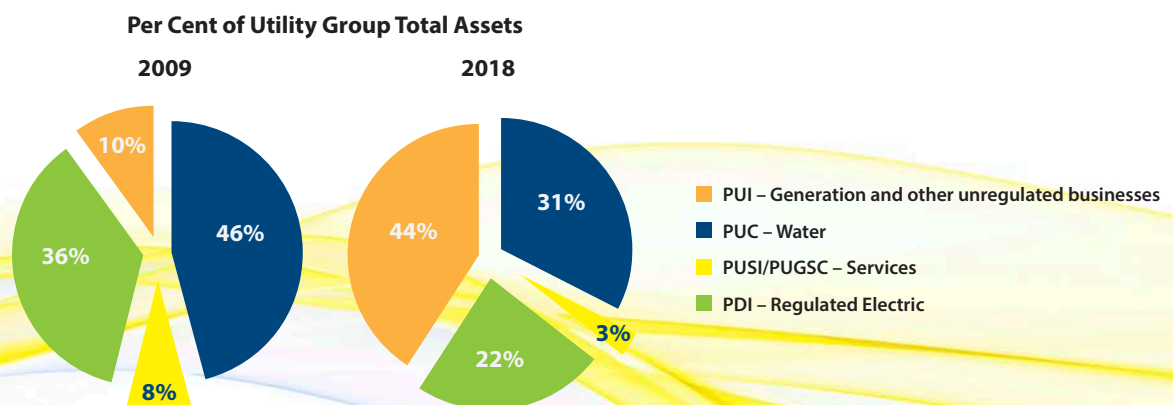
Composition and growth of company assets by principal business segment is illustrated in the chart below.



In addition to the direct assets owned by CoPHI, PUG, through its service company PUGSC, also manages the assets of the Peterborough Utilities Commission (PUC). Assets under management, represented by the direct holdings of CoPHI and the PUC, have increased from \$220 million in 2009 to \$461 million in 2018.

The increased focus on growing the non-regulated business has resulted in PDI currently comprising 22% of the total group assets compared to 36% in 2009. The long-term growth in revenue related to the expansion of the non-regulated asset base will allow PUG to continue to fund distributions to the City following the sale of the regulated business.

The composition of assets under management by PUG is illustrated below



## Revenues

Revenue from continuing operations (excluding PDI) decreased by 5.7%, from \$43.02 million in 2017 to \$40.56 million in 2018. Details of the sources of revenue are as follows:

- Total revenues from operations in PUI were \$26.1 million (2017: \$29.31 million) with generation revenue being the largest component. In 2017, PUI experienced strong river flows that boosted hydrology revenues to the highest levels on record. In 2018, total generation revenue remained above budget for the year, however more normalized river conditions led to a \$2.56 million decrease in hydrology revenues compared to 2017. By comparison, in 2016 – a more typical year – revenues from operations in PUI were \$19.54 million.
- Total revenues earned in the services companies (PUSI and PUGSC), net of inter-corporate eliminations, were \$14.46 million compared to \$13.71 million in the previous year. This increase was driven by PUG's continued expansion of its professional services offerings to neighbouring municipalities.

Revenue from discontinued operations (PDI) decreased by 0.8% from \$107.4 million in 2017 to \$106.58 million in 2018.

- Total regulated electricity, which is the cost of electricity, transmission and wholesale charges collected on behalf of and remitted to the Independent Electricity System Operator (IESO), was \$89.6 million in 2018 compared to \$91.5 million in 2017.
- Total distribution revenues were \$15 million in 2018 compared to \$14.4 million in 2017. This increase was driven by higher volumes of customer consumption in 2018.
- Total other non-distribution revenue in PDI in 2018 was \$1.9 million in 2018, compared to \$1.6 million in 2017.

## Operations and Administration Expense

The company's operations and administration expense from continuing operations (excluding PDI) was \$20.23 million in 2018, a 4.5% increase from \$19.36 million in 2017. The increase is mostly the result of increased materials and operating costs associated with the expanding portfolio of assets and service contracts.

Expenses relating to the discontinued PDI operations of \$99.81 million (2017: \$103.57 million) decreased by \$3.8 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 customers. In 2018, the cost of power was \$87.27 million compared to \$90.97 million in 2017, accounting for the majority of the decrease.



## Amortization Expense

In 2018, the company's amortization expense for continuing operations (excluding PDI) of \$8.66 million was \$73,000 higher than in the previous year (2017: \$8.59 million). Consolidated amortization expense continues to increase as the value of the company's capital assets increase.

The company's amortization expense for discontinued operations (PDI) of \$3.46 million was \$130,000 lower than in the previous year (2017: \$3.59 million).

## Financing Expense

Financing and other costs for continuing operations (excluding PDI) of \$7.8 million increased \$2.8 million, from \$5 million in the previous year. Interest on long-term debt increased from \$4.29 million in 2017 to \$5.9 million in 2018 as the company finalized its new borrowing agreement to finance its capital growth in late 2017.

One-time impairments charges and disposition of capital assets resulted in an increase of \$1.92 million from 2017.

Financing and other costs for discontinued operations of \$1.51 million decreased \$72,000 from the previous year.





# Operational Performance



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

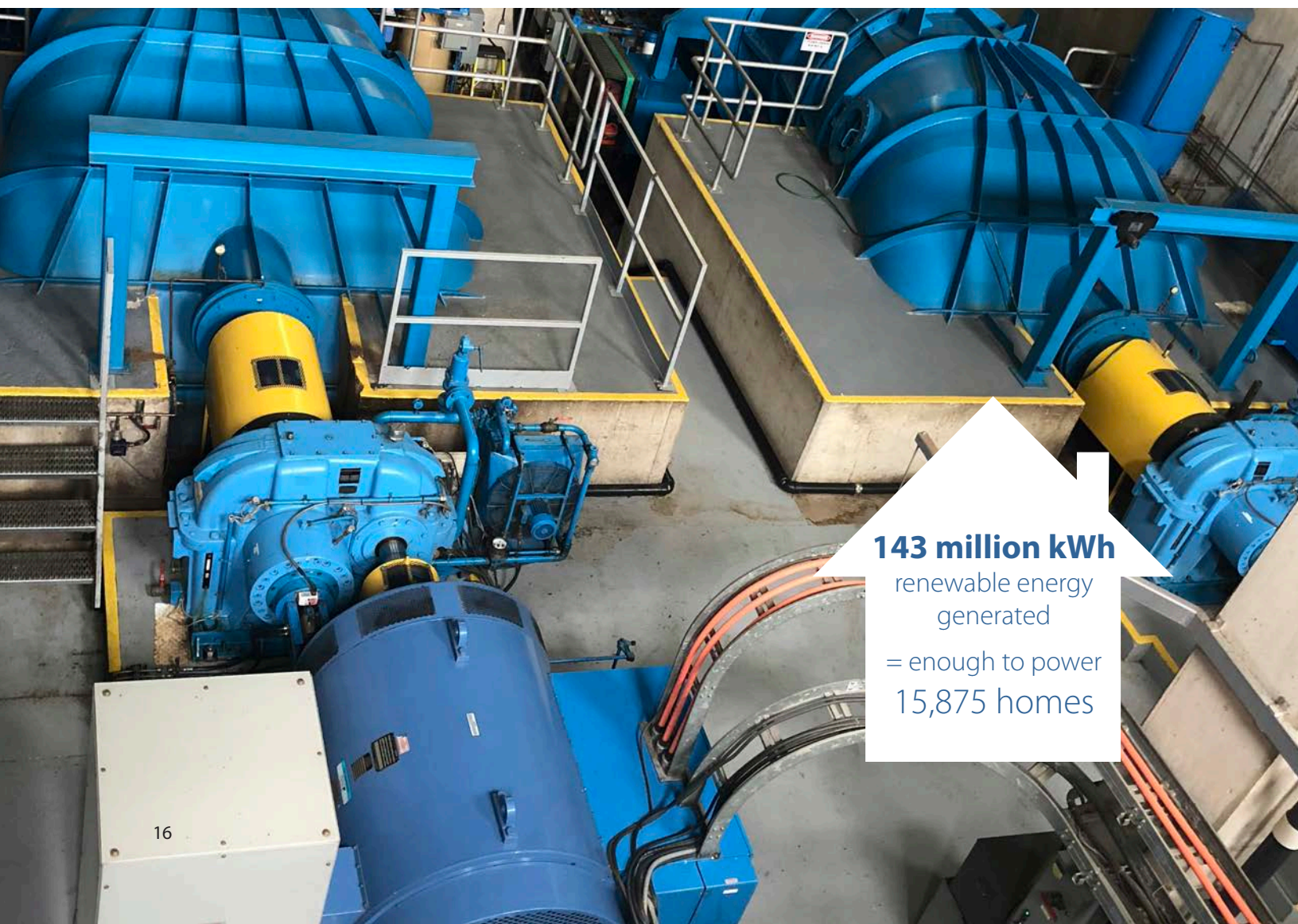
### CUSTOMER RATES AND REGULATIONS

In May 2018, we completed the third year in a four-year transition from variable to fixed distribution rates. By May 2019, 100 per cent of the distribution charge will be billed using fixed charge rates.

Starting Jan. 1, 2018, we began adding a notification to customers' bills that shows them their individualized Ontario Fair Hydro Plan (OFHP) savings and calculation methodology; this applies to residential, multi-residential and general service under-50kW account holders.

March 31, 2018, marked the end of the Debt Retirement Charge (DRC) for general service customers.

Overall power consumption was up 3.8% in the City in 2018 due to a warmer summer and a colder winter



**143 million kWh**  
renewable energy  
generated  
= enough to power  
15,875 homes



## **REGULATORY CHANGES**

In July 2018, the Ontario government established new Energy & Water Reporting and Benchmarking (EWRB) regulations for Commercial and Industrial properties 250,000 square feet and larger. The EWRB is designed to help building owners use their water and electricity resources more efficiently. These regulations will be phased in, and by July 2020 will be applicable to all customers who own buildings larger than 50,000 square feet. This annual disclosure of building performance information for water and energy consumption is intended to motivate building owners to compete with one another as they strive to improve their building performance year over year. It will allow property and financial markets to compare building performance, show the benefits of investing in energy efficiency and help building owners compare the energy performance of similar buildings in their portfolio or nationwide through the use of the Energy Star rating system. Through the use of the Energy Star rating system, building owners receive an annual rating for their building, which gives them information to help them take action to ensure their building is as energy-efficient as possible.

March 2, 2018 saw the introduction of new Quarterly Reporting guidelines issued by the Ontario Energy Board regarding statistics pertaining to customers in arrears, disconnection and arrears management.

The OEB once again has conducted a review of customer service rules, mainly pertaining to service charges and processes that pertain to low-income customers. Some of the changes came into effect in 2018, however the vast majority will be implemented in 2019.

A disconnection ban was established by the OEB from November 15 to April 30 for 2017/2018.

The Independent Electric System Operator (IESO) continued its Market Renewal Program, which introduced reforms to the province's electricity markets to improve the way we supply, schedule and price electricity, to ensure that electricity is available for all Ontarians at the lowest cost possible. Information about the program can be found on the IESO website at [ieso.ca/en/Market-Renewal/Background/Overview-of-Market-Renewal](http://ieso.ca/en/Market-Renewal/Background/Overview-of-Market-Renewal).

## **Embedded Generation and AffordAbility Fund**

The IESO's MicroFIT/FIT rooftop solar program contract offer ended in July, 2018, so we ramped up our activity to get all projects in before the deadline. Thirty-eight new projects were completed in the first half of 2018.

Energy storage has made its way into our monthly reporting and settlement of generation to the IESO. Currently, we have no energy storage in our distribution system.

The Government of Ontario's AffordAbility Fund Trust program established a \$100 million AffordAbility Fund to assist electricity customers who do not qualify for low-income conservation programs. The AffordAbility Fund is funded by an independent trust set up by the Government of Ontario and offered through local electric utilities. Peterborough Utilities has an enrollment target of approximately 1,700 customers. As of Dec. 31, 2018, we had approximately 850 applicants. The program ends in December 2020. We will continue public outreach within our community to achieve our goal.

## INFRASTRUCTURE INVESTMENT

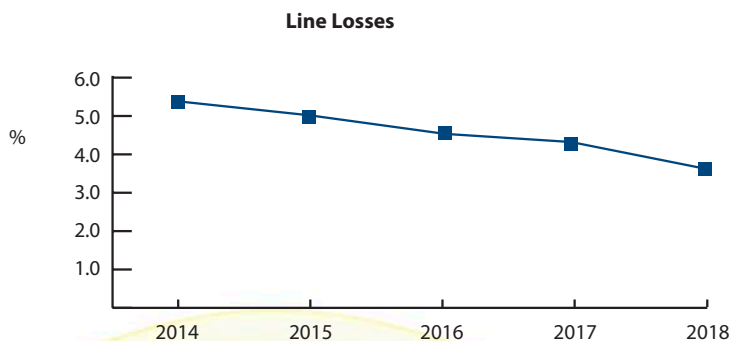
In 2018, PDI invested in capital expenditures of \$5.1 million in infrastructure, development and operational improvements. The largest projects completed were the underground rehabilitation, the pole replacement program, and the smart meter resealing program. Internally funded capital programs were emphasized, due to a lower volume of pole relocations because of City road improvement projects.

This first phase of the rehabilitation project in the Mapleridge subdivision was completed in October 2017 and focused on 4.16 kV to 27.6 kV conversion. This phase included the replacement of 22 transformers, the installation of a new feeder tie, and upgraded civil infrastructure. This conversion work will offset the need for rehabilitation of the adjacent distribution stations in this area. The second phase of this project will start in the spring of 2019.

PDI has an annual pole-testing program, which classifies each pole's condition as a hazard, recommended for replacement, or not recommended for replacement. Poles with an expected remaining lifespan of five or more years are returned to the testing schedule. Last year, 40 poles were replaced under PDI's annual pole replacement program.

The smart meter resealing program had increased spending due to meters that have been either tested, resealed, or replaced in order to meet our Measurement Canada obligations. This increased program spending coincides with the 10-year anniversary of the first residential smart meter installations. An extra 200 meters were changed in 2018 in order to smooth out the required meter resealing between 2018 and 2019.

Our line losses continued their downward trend last year, with a total decrease of 30% over the last five years. Our metering reverification program, voltage conversion projects and the installation of lower loss transformers were all factors in this improvement.





## OUTAGE AND EMERGENCY RESPONSE

We experienced two major events in 2018: a major windstorm on May 4 and a transmission outage on November 14. Overall customer feedback on our outage response was excellent.

The May windstorm, with gusts greater than 100 kilometres an hour, left many downed trees on top of our power lines. Significant damage occurred across our system. Our crews responded immediately, focusing on re-energizing the main feeders and isolating the problem areas. Customers were returned to service in sequence as the problem areas were eliminated.

On November 14, we lost all power from the Hydro One-owned substation in the southeast corner of Peterborough due to an equipment failure. This outage affected 60% of our customers, making it our worst transmission outage since the 2003 northeast blackout. Over the course of the evening, we sequentially back-fed most of our customers from the Dobbin TS substation. All customers were back on by 3:30 a.m.

We have continued to update our asset management programs, invest in new infrastructure and target initiatives such as our tree trimming program, which can heavily impact system reliability. Excluding the effects of major events, the average number of hours during which power to a customer was interrupted was 2.16 and the average number of times that power was interrupted was 1.90.

Overall power consumption was 3.8% higher than in the prior year, due to a warmer than average summer and a colder than average winter. However, this increased loading was well within the limits of our distribution system.

Although usage increased in 2018, we did not surpass the peak demand of 142 MW, which occurred on July 13, 2017.

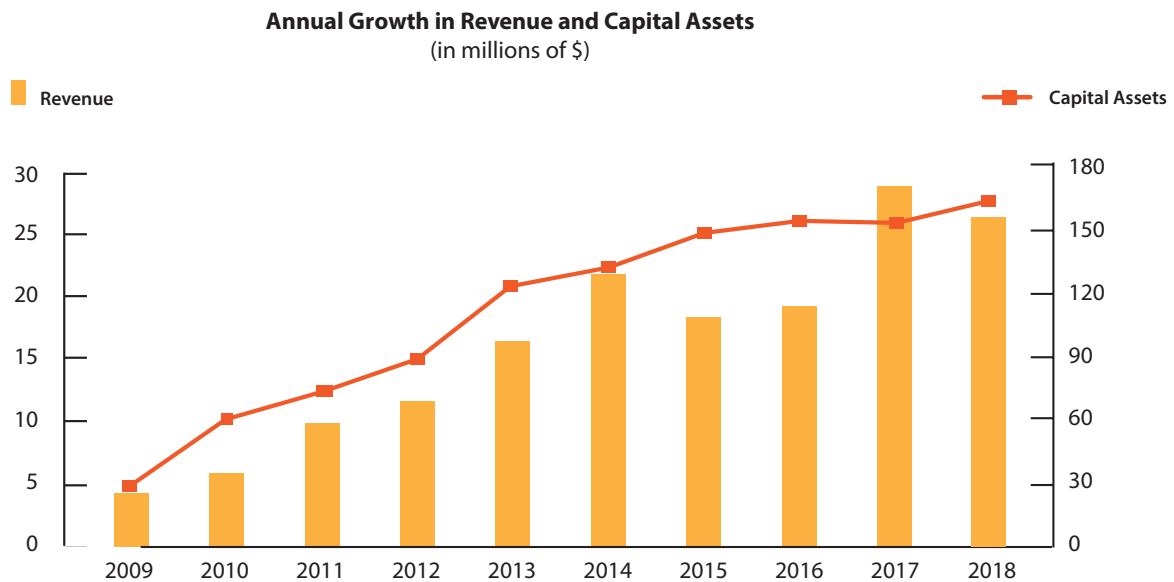




## Peterborough Utilities Inc. (PUI) – Unregulated Operations

The unregulated business saw further growth of its renewable generation business in 2018 through the development of 15 new solar projects and the acquisition of an existing hydroelectric power facility. Upon completion of the new solar projects early in 2019, PUI's aggregate capacity of hydroelectric, solar and biogas facilities will increase to 48.3 MW, representing more than 800% growth over the past decade.

The annual growth in capacity and asset value are reflected in the chart below:



Total generation from PUI's fleet of renewable generation facilities exceeded 143 million kWh in 2018, sufficient to meet the needs of approximately 15,875 residential customers. Overall, revenue from PUI's fleet of renewable generation facilities equaled approximately \$22 million, exceeding budget by several percentage points.

Over 600 people attended a Doors Open event held at the London Street Generating Station in 2018



### **CAMPBELLFORD-SEYMOUR GENERATING STATIONS**

The Campbellford-Seymour Generating Stations comprise two hydroelectric power plants situated adjacent to one another on the Trent River near the town of Campbellford. Plant No. 1 was constructed more than 100 years ago and was acquired by PUI from the Campbellford PUC in 2001. PUI continues to own, operate and maintain this heritage hydro facility.

Plant No. 2 was constructed in 1994 by a private developer through a sublease agreement with the Campbellford PUC that was assigned to PUI in 2001. In 2018, ownership of Plant No. 2 was transferred to PUI in accordance with the terms of the sublease. In conjunction with this asset acquisition, PUI successfully negotiated assignment of the existing power purchase agreement, and has recently engaged the IESO in negotiations on a new long-term power purchase agreement.

Comprehensive plant condition assessments were completed for both facilities in 2018. Based on the outcomes of this study, PUI has planned for several major capital repairs to occur in 2019, including replacement of the Plant No. 1 trash racks and support structure and rehabilitation of the gear boxes at Plant No. 2 to ensure both facilities continue to operate reliably, efficiently and safely well into the future.

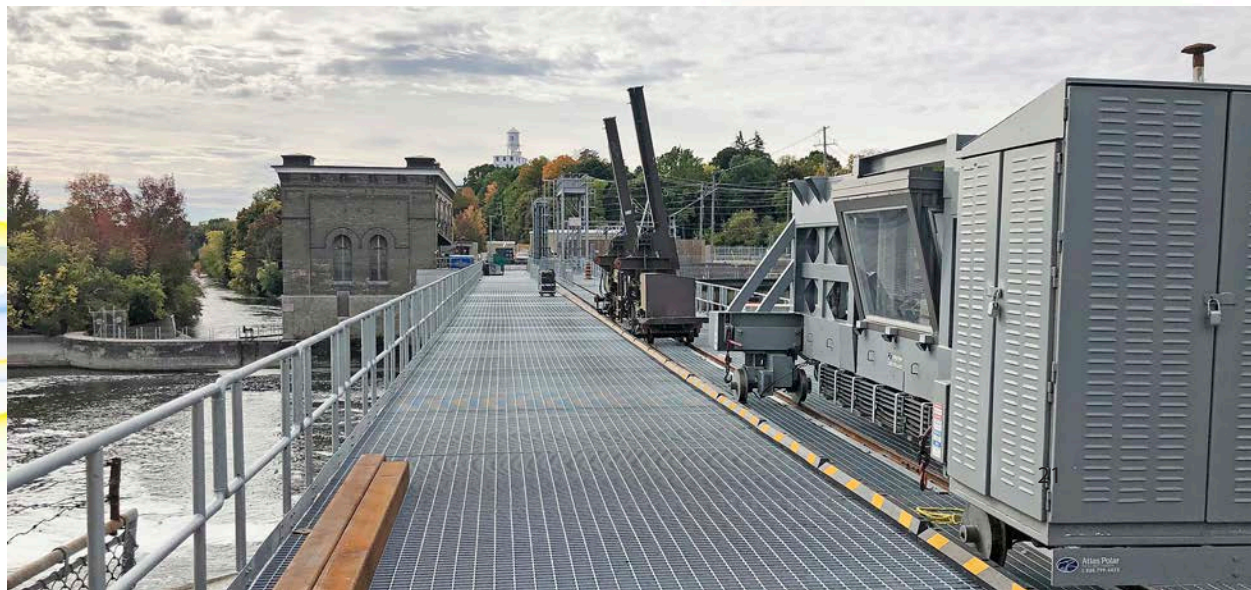
### **LONDON STREET GENERATING STATIONS**

The London Street Generating Stations comprise two hydroelectric generating stations and a concrete buttressed dam with wood stoplogs. It is situated on the Otonabee River within the City of Peterborough. Plant No. 1 was constructed approximately 100 years ago; Plant No. 2 began commercial operations in July 2016. These plants have an aggregate capacity of 10 MW and generate, on average, more than 40 million kWh of clean electricity each year.

PUI successfully completed several major capital projects at Plant No. 1 and the adjacent dam, intended to significantly enhance safety, environmental protection and operating efficiency, including: replacing the London Street dam's aging timber deck with a new galvanized steel deck; replacing the stoplog lifter with a new machine; a comprehensive lead remediation program within Plant No. 1; and installation of secondary spill containment at the Plant No. 1 substation.

In addition, PUI hosted public tours of the London Street Generating Stations as part of the Peterborough Doors Open event in 2018. More than 600 people toured the facility and were provided with an opportunity to view a new hydroelectric generating station, a heritage hydro power plant and dam safety improvements and to increase their knowledge of renewable energy generation and public safety around dams.

PUI was selected as the recipient of the 2018 Sustainable Peterborough Partnership Award in recognition of its efforts and contribution to the community in the area of sustainable energy.



## BIOGAS GENERATION

Performance at PUI's Bensfort Road Landfill Gas (LFG) generating station did not meet expectations again in 2018. Recommendations to enhance its performance did not yield the forecast production gains, and reduced quantities of landfill gas are forecast to persist for some time. Accordingly, PUI took a notable financial write-down on this asset in 2018 in order to align its future revenue forecast with current plans for the management of waste and collection of LFG. On a positive note, production from this facility is expected to continue beyond the 20-year term of its existing power purchase agreement in conjunction with life extension of the Peterborough Waste Management Facility, and may yield additional revenue streams for products such as carbon credits.

## LILY LAKE SOLAR FACILITY

PUI completed a number of production optimization activities at this facility during 2018 resulting in 10 MW of peak power being injected into the grid for the first time in the facility's history. In addition, PUI increased the number of sheep located onsite to over 300 in 2018. The Lily Lake Solar Facility provides a safe and secure environment for the sheep as they effectively help us to maintain vegetation growth, creating a truly sustainable environment at this facility.

## GROUND MOUNT SOLAR PORTFOLIO

PUI, in partnership with the City of Peterborough, progressed with construction of a portfolio of 15 500-kilowatt ground mounted solar PV projects, located northeast of Peterborough. At the end of 2018, four of the 15 projects had entered into commercial operation. Upon completion of the remaining 11 projects in the first half of 2019, PUI's aggregate solar portfolio will increase to 18.4 MW (38% of total capacity) and provide a natural complement to PUI's hydroelectric generation.

## INDUSTRY AND MARKET CHANGES

The past year saw a number of significant changes within the renewable generation industry and the initiation of the market renewal program by the IESO. In July, the newly elected provincial government announced the cancellation of 758 renewal generation contracts, including 13 contracts held by PUI: 11 related to 500 kW ground mount solar projects; and two pertaining to the development of new hydroelectric projects situated on the Otonabee River, in partnership with Curve Lake First Nation. Accordingly, PUI's short-term focus has shifted to the recovery of pre-construction development costs on these projects and emerging opportunities such as battery energy storage.

In addition, the IESO engaged stakeholders in consultations on its market renewal program that will include, amongst other things, the development of an incremental capacity market, day-ahead market, and locational pricing. PUI's generating facilities have long-term contracts with the IESO and are not expected to be impacted by this initiative. However, PUI will continue to monitor this initiative for potential risks and opportunities for its business.

## WHOLESALE METER SERVICES

The company's other primary unregulated business provides wholesale meter services to clients throughout Ontario. This business unit had another successful year in 2018, exceeding financial targets by approximately 30%.







## PUSI Services Operations

### WATER SERVICES

Through the operation of the services company (PUG Services Corp.), we provide full municipal water services for the PUC to City of Peterborough customers. This includes water utility operations and capital asset planning as well as 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 Riverview Park & Zoo. Currently, PUG Services Corp. is in the second year of a five-year contract with the Township of Cavan Monaghan to operate and maintain the water and wastewater system in the Village of Millbrook as well as to provide the Township of Asphodel Norwood with operational assistance for their water and wastewater systems.

The Peterborough, Millbrook, Lakefield and Woodland Acres drinking water systems maintained full accreditation to the Drinking Water Quality Management Standard (DWQMS). The accreditation body, NSF International, conducted an external audit of the DWQMS for all four of the water systems in October 2018, along with an internal audit. The audit report said that all management systems operated by PUG Services Corp. are well documented and continue to be effective.

In addition to the external and internal audits, the Ministry of the Environment, Conservation and Parks (MECP) performed inspections throughout 2018 of the Millbrook, Peterborough and Lakefield water treatment plants, and the Woodland Acres distribution system. All water systems achieved a 100% inspection rating.

The major capital project to replace the Greencrest Booster Pumping Station was completed and the station was fully commissioned in 2018. The purpose of this project was to replace aging infrastructure because the original underground pump station was past its design life, and to improve safety by eliminating a confined space. In the spring of 2018, the rehabilitation of the Water Street Pump House Dam, originally constructed in 1909, began. The scope of this project is to repair the outside fascia, including parapet repairs and new exterior coatings.





In early 2018, the Water Engineering Department embarked on a long-term Water Utility Master Plan. The purpose of master plan to assess existing infrastructure and projected future infrastructure requirements in considering growth and potential water needs within the City of Peterborough. Major components of the water system are to be fully assessed, including the water treatment plant, pumping stations, water storage facilities and distribution system. Completion of the master plan is expected mid-2019 and will be the Water Utilities' guiding principle project for the next 15 years.

Capital works, within the Peterborough water system, included approximately 4.5 kms of existing water main rehabilitation using cement-mortar lining and 1.2 kms of structural lining to existing distribution water mains. Also as part of the new capital water trunk mains, the construction of an 18-inch water main across Nassau Mills Bridge and underneath the canal was completed in the fall of 2018. This will service the newly created CleanTech Commons development on Pioneer Road.

The Peterborough Water Treatment Plant has continued its partnership with the University of Toronto's Drinking Water Research Group to conduct pilot scale studies.

Our research in 2018 focused on alternative chemicals to aid in our corrosion control program and the use of ozonation technologies for improving water quality. The findings of this research was presented at the 2018 Ontario Waterworks Association Conference in May. The knowledge gathered over the next several years will provide the foundation to chart the future course of water treatment in Peterborough.

28,558 customers

460 km of water mains

2,300 water hydrants

10.3 million litres of water processed



## RIVERVIEW PARK & ZOO

In 2018, Riverview Park & Zoo (RPZ) was open and operating during regular hours (8:30 a.m. until dusk) from Jan. 1 to Dec. 31. Attendance was strong in 2018, with total annual attendance estimated at more than 333,000 visitors.

Ongoing improvements to the facilities and equipment continued in 2018, including upgrades to several animal exhibits, accessibility upgrades, a new dental unit for the Animal Health Centre and continuation of the rehabilitation of the miniature train rail bed.

The zoo's animal collection saw many changes in 2018, with the deaths of some of our older animals and some new acquisitions. Deaths included a red-rumped agouti, our oldest reindeer, a Goeldi's monkey, a serval, and "Quentin," our older Sichuan takin. New animals included two domestic yaks, a new young male Sichuan takin, two woodland caribou, and the hatching of a red-billed hornbill chick.



## Park Operations and Facilities

The miniature train ride opened for Victoria Day weekend. The ride ran daily, weather permitting, from May 18 until Sept. 22. Ridership was good, with an estimated 67,000 train riders in 2018.

The Kiwanis Club of Peterborough operated the snack bar again in 2018, daily from May through Sept. 4 and on weekends in the fall until Thanksgiving Day. Snack bar profits remained high for the third year in a row. Proceeds from the snack bar were shared between the Park & Zoo and the Kiwanis Club of Peterborough.

## Zoo Operations and Facilities

Regular and emergency veterinary care was provided primarily by consulting veterinarian Dr. John Sallaway throughout 2018, with some occasional care provided by Dr. Mike Cranfield. RPZ animal care staff worked with Dr. Sallaway throughout the year to provide planned animal healthcare to the animals in our collection. Animals were examined and/or treated as part of their healthcare program. This included physical exams, surgery, numerous vaccinations/treatments, blood samples, the trimming of many hooves/claws/beaks/tusks, dentistry and dental cleaning.

In 2018 there were six births and 21 deaths of animals during the year. Post mortems were performed on those animals that had died, in an attempt to determine cause of death. Six new animals were acquired during the year.

As of Dec. 31, 2018, the animal collection onsite consisted of 118 animals, representing a total of 48 species (excluding fish and invertebrates). The collection had 33 animals in on loan and six animals out on loan.

## 2018 Animal Inventory Summary

	Jan. 1, 2018	Births/ Hatchings	Acquisitions	Deaths	Dispositions	Dec. 31, 2018
Owned and On-Site	106	6	3	18	18	79
In On Loan	31	0	3	1	0	33
Out On Loan	8	0	0	2	0	6
Total Animals On-Site incl. Loans	145	6	6	21	18	118



## Conservation and Education

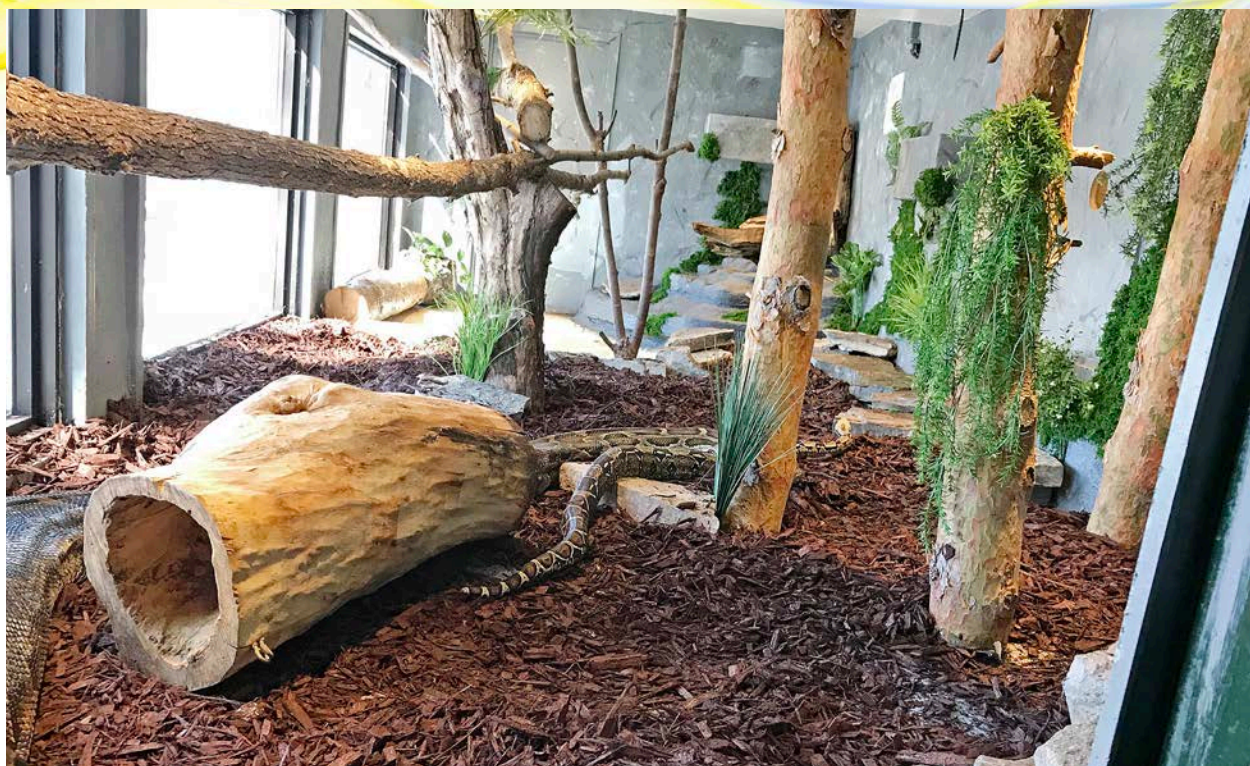
The 2018 education program continued to grow and benefited from strong support from our volunteers and our partnership with the School of Education at Trent University. Last year's program included educators with roving touch-tables, public speaking engagements, behind-the-scenes tours, the parent and tot Zoo Crew program, formal guided tours, our Zoo Academy and Zoo Trek half-day curriculum-based sessions, as well as the new Turtle Trek joint-facility program developed in partnership with the Ontario Turtle Conservation Centre.

The Park & Zoo also collaborated with Otonabee Region Conservation Authority (ORCA) to deliver the renowned Bondar Challenge education program at Riverview Park & Zoo and the Warsaw Caves Conservation Area. Developed by The Roberta Bondar Foundation The Bondar Challenge is a unique experiential program that helps children make a connection to nature through the art of photography.

Other programming included Meet the Keeper sessions, custom sessions for visiting groups, sleepover programs for Brownies/Scouts, the Homeschool Spelling Bee, and our seasonal conservation exhibit. This year, the Community of Conservation exhibit featured contributions from several local organizations including Camp Kawartha, GreenUP, ORCA, the Ontario Turtle Conservation Centre and Peterborough Distribution Inc., and included a series of conservation events and activities.

Last year, Park & Zoo's conservation program included cooperative projects with the Otonabee Region Conservation Authority and supported the Ontario Turtle Conservation Centre's conservation work by donating heat lamp bulbs, turtle feed (smelt) and equipment. Riverview Park & Zoo also participated in the Association of Zoos and Aquariums (AZA) Stud Book for the red-necked wallaby, Sichuan takin and bobcat. We also participated in the African red-billed hornbill, Goeldi's monkey, meerkat and squirrel monkey AZA Species Survival Plans, and the emu and Brazilian agouti Population Management Plans.

We were also instrumental in the rescue of 133 tropical fish that required care and re-homing, following the death of a local private collector. Park & Zoo staff worked closely with staff from Kawartha Aquariums, the OSPCA, and Peterborough Humane Society to move the fish, 10 aquariums and all of the associated equipment to the Park & Zoo. We then provided care for the fish until we were able to arrange placement for them at CAZA-accredited facilities.





## Research

In 2018, Riverview Park & Zoo participated in the Ontario Turtle Conservation Centre's Blanding's turtle research project as well as hosting research projects by university biology and conservation biology students.

## Special Events

The 2018 Peterborough Children's Water Festival was held at the Park & Zoo on May 25 and 26, with staff helping with set-up and tear-down as well as providing logistical support on the days of the event.

The Riverview Park & Zoo Fun Run was held on June 2, and had a record-setting 360 participants. More than \$10,000 was raised for the Park & Zoo.

The 2018 Summer Concert Series included eight musical groups performing over the summer season at the Gazebo. The regular Sunday afternoon concerts were provided every other weekend from late May to Labour Day weekend.

## Capital Program

The 2018 capital program included the third phase of a three-year rehabilitation of the miniature train rail bed, new playground equipment, paving of various pathways and roads, and the renovation and expansion of the cat exhibit.

Other capital items included new rubberized ground cover for the wheelchair swing, a new pool for the capybara exhibit and a new dental unit for the Animal Health Centre. There were also numerous upgrades made to various animal exhibits.



## CUSTOMER SERVICE

In 2018, we had 52,394 calls from our customers, with 88.7% of them answered in 30 seconds or less. Fewer than one per cent of these calls resulted in abandonment (the person waited longer than 30 seconds and discontinued the call). Customer service responds to all written customer correspondence within 10 business days 100% of the time.

We had 6,158 payment arrangements made with customers requiring additional time to pay and 80% of them met their commitment. We emailed out approximately 15,000 weekly reports on customers' water and hydro consumption. Twenty-seven per cent of our customers are on ebilling.

### Customer Service Community Engagement

We continued our outreach and engagement with the community in 2018, including having staffed booths at the Senior's Showcase, Peterborough Farmer's Market, Lakefield Farmer's Market, Peterborough Pulse, Riverview Park & Zoo, Love Local Expo, and Ecology Park.

The customer service team supports all divisions of the Peterborough Utilities Group of Companies in some capacity. For Peterborough Utilities Inc., customer service delivers the water heater, pole and sentinel light rental program. We manage all replacements, removals, new installations, billing and payment processing. For Riverview Park & Zoo, we manage the animal adoptions, memorial bench purchases, meeting room rentals, temperature reporting, and marketing. For the water and the electric companies, customer service is the first point of contact for our customers and we handle most inquiries from beginning to end. This ensures that our customer's experience is pleasant, efficient and positive, with the best possible resolution to their query.

Customer service also staffs the front counter, which handles the purchases of water test tags, back flow prevention tickets, the processing of bank payments, invoice payments, zoo money, mail, credit card payments, walk-in customers and vendors.

There are eight full-time customer service representatives and a supervisor. In between calls, the agents process customer requests that come in by way of email, customer self-serve (online), fax and regular mail.

Although from time to time we do have some difficult discussions with customers, overall we have a great relationship with the community. This is evidenced by the exceptional results we receive on our customer surveys and the fact that, on average, fewer than three complaints a year are escalated to the Ontario Energy Board. The OEB has never found Peterborough Utilities to have been in the wrong regarding any complaint.

52,394 phone calls

88.7% answered within 30 seconds

<1% abandoned by caller

## **BILLING INTEGRATION AND INFRASTRUCTURE**

The billing integration team had another busy year, with an upgrade to our metered data management repository, SmartWorks, to version 4.3. This system captures 720 reads per electric and water meter per month, it performs validation on the reads and it reports anomalies for the billing integration team to investigate. The report includes non-communicating meters, failed batteries, tamper or tilt alerts and zero consumption. SmartWorks also detects possible leaks by alerting us when there has been 72 hours of continuous water consumption. In 2018, Peterborough Utilities sent 832 letters to account holders and owners alerting them of their abnormal usage and letting them know how to investigate the cause.

The team also upgraded to Connexo NetSense, which is the backbone of our metering network across Peterborough, Lakefield and Norwood. They upgraded the system's 55 gatekeepers, devices that capture the meter readings from the individual meters. Once the gatekeepers were upgraded, the team performed an over-the-air upgrade to the electric meters to ensure they were on the same version of software used by the gatekeepers.

Changes from the Ontario Energy Board continued through 2018, with the ending of the Debt Retirement Charge and the introduction of the Ontario Fair Hydro Plan Act. This required changes to our billing software and bill print. These changes required significant configuration changes and testing, as they were implemented across the various account classes.

The latter half of 2018 was spent on creating a project plan for the splitting of electric and water services. With the regulations continually changing with the electric business, it became clear that we were going to need to split the services out to continue to be compliant with the Ontario Energy Board's regulations. This was the most significant change we have made since smart metering. It required the creation of more than 26,000 new accounts, pulling and setting services, transferring account and billing information, creating new bill codes, collection streams and changing the bill print. This was all completed in our test environment, where we can try hundreds of scenarios to ensure that what we have configured is giving us the results we want. By the end of the year, we were confident in the set-up and made the changes in our live production so we could start 2019 with individual bills.

Even with all of these challenges, the billing integration team reported a 100% billing accuracy score with the Ontario Energy Board.

832 customers were alerted  
to check for water leaks



## SOCIAL MEDIA

With more than 15,000 followers on Facebook and Twitter, social media communication has proven to be a reliable source of information for our customers. In 2018, we introduced Instagram to our platform. Instagram provides followers with a closer look at our lines of business, staff and daily operations. We look forward to increasing our Instagram presence and continuing to share more information with customers throughout the coming year.

In comparison to our cohort utilities who have more customers and a higher population, we are outperforming them with the number of followers by 30% or higher in participating followers. Our social media continues to be a lifeline for many customers during an outage or emergency and provides the timely and accurate information our customers expect.

Customers who do not participate in social media can receive updates directly from our website.

4,800 Facebook followers 

 10,600 followers on Twitter

11,300 tweets since 2011

 On Instagram, 271 followers since 2018



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

**To the Shareholder of City of Peterborough Holdings Inc.**

### *Opinion*

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2018 and the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended are derived from the audited consolidated financial statements of City of Peterborough Holdings Inc. for the year ended December 31, 2018.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited financial statements, in accordance with International Financial Reporting Standards.

### *The Summary Consolidated Financial Statements*

The summary consolidated financial statements do not contain the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

### *The Audited Consolidated Financial Statements and Our Report Thereon*

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated March 29, 2019.

### *Emphasis of Matter*

During 2016, The City of Peterborough Holdings Inc. received board and shareholder authorization to dispose of substantially all the assets and liabilities, excluding long-term debt and certain lands, (the "net assets") of its wholly owned subsidiary company, Peterborough Distribution Inc. The City of Peterborough, City of Peterborough Holdings Inc. and its related subsidiaries (the "Vendors") entered into an Asset Purchase Agreement to sell the net assets to Hydro One Inc. The Vendors are waiting for final regulatory approval to complete the net asset sale that is anticipated to be received during 2019. All net assets and Peterborough Distribution Inc.'s results of operations are reported in the summary consolidated financial statements as discontinued operations.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited 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.

### ***Baker Tilly KDN LLP***

Chartered Professional Accountants  
Licensed Public Accountants

Peterborough, Ontario  
May 22, 2019

ASSURANCE • TAX • ADVISORY

*Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.*

Peterborough

Courtice

Lindsay

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# Consolidated Statement of Financial Position

As at December 31, 2018  
(\$s in thousands)

	2018	2017
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	19,899	22,970
Restricted cash	11,358	30,137
Accounts receivable	5,173	2,187
Unbilled revenue	349	295
Inventories	1,214	1,038
Prepaid expenses	261	352
Income taxes receivable	125	-
Assets held by discontinued operations	102,969	103,417
	141,348	160,396
<b>Other assets</b>		
Intangible assets	4,054	4,067
Property, plant and equipment	169,287	156,695
Deferred tax assets	4,789	6,137
	178,130	166,899
	319,478	327,295
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	6,456	6,073
Current portion of long-term debt	6,149	4,743
Liabilities held by discontinued operations	67,977	69,936
Income taxes payable	-	56
	80,582	80,808
<b>Long-term liabilities</b>		
Provisions	409	252
Employee future liabilities	5,604	5,686
Deferred tax liabilities	14,384	15,183
Long-term debt	117,201	123,402
	137,598	144,523
<b>Shareholder's equity</b>		
Share capital	60,098	60,098
Accumulated other comprehensive loss	(1,551)	(1,783)
Retained earnings	42,751	43,649
	101,298	101,964
	319,478	327,295



# Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2018  
(\$s in thousands)

	2018	2017
	\$	\$
<b>Revenue</b>	40,556	43,020
<b>Expenses</b>		
Operations and administration	20,228	19,355
Amortization	8,663	8,590
	28,891	27,945
<b>Income from operations</b>	<b>11,665</b>	<b>15,075</b>
<b>Other expense</b>		
Net finance charges	4,888	4,001
Loss on impairment of property, plant and equipment	2,525	500
Loss on disposal of property, plant and equipment	391	498
	7,804	4,999
<b>Income before income taxes and discontinued operations</b>	<b>3,861</b>	<b>10,076</b>
<b>Provision for income taxes</b>		
Current	722	273
Deferred	549	2,635
	1,271	2,908
<b>Income from continuing operations, after tax</b>	<b>2,590</b>	<b>7,168</b>
<b>Income from discontinued operations, after tax</b>	<b>2,181</b>	<b>1,323</b>
<b>Net income for the year</b>	<b>4,771</b>	<b>8,491</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to net income		
Employee benefit plan actuarial losses	-	(390)
Related deferred tax	-	103
Other comprehensive income from discontinued operations, net of tax	232	894
<b>Other comprehensive income for the year</b>	<b>232</b>	<b>607</b>
<b>Total comprehensive income for the year</b>	<b>5,003</b>	<b>9,098</b>

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2018  
(\$s in thousands)

	Share Capital \$	Retained Earnings \$	Accumulated Other Comprehensive Income (Loss) \$	Total Equity \$
<b>Balance, January 1, 2017</b>	60,098	40,712	(2,390)	98,420
Net income for the year	–	8,491	–	8,491
Actuarial loss on accrued employee benefit	–	–	(287)	(287)
Dividends paid	–	(5,554)	–	(5,554)
Other comprehensive income from discontinued operations, net of tax	–	–	894	894
<b>Balance, December 31, 2017</b>	<b>60,098</b>	<b>43,649</b>	<b>(1,783)</b>	<b>101,964</b>
<b>Balance, January 1, 2018</b>	60,098	43,649	(1,783)	101,964
Net income for the year	–	4,771	–	4,771
Dividends paid	–	(5,669)	–	(5,669)
Other comprehensive income from discontinued operations, net of tax	–	–	232	232
<b>Balance, December 31, 2018</b>	<b>60,098</b>	<b>42,751</b>	<b>(1,551)</b>	<b>101,298</b>

# Consolidated Statement of Cash Flows

For the year ended December 31, 2018  
(\$s in thousands)

	2018 \$	2017 \$
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>Operating activities</b>		
Income from continuing operations	2,590	7,168
Charges to operations not requiring a current cash payment		
Amortization	8,663	8,590
Deferred income tax	549	2,635
Current income tax	722	273
Net finance costs	4,888	4,001
Loss on impairment of property, plant and equipment	2,525	500
Loss on write-down of property, plant and equipment	2,017	509
	21,954	23,676
Change in non-cash working capital items	(2,735)	1,522
Taxes paid	(904)	(48)
Interest received	708	238
Increase (decrease) in employee future liabilities	(80)	77
Cashflows from operating activities of discontinued operations	7,580	9,979
	26,523	35,444
<b>Investing activities</b>		
Purchase of property, plant and equipment	(24,950)	(6,499)
Purchase of intangibles	(320)	(69)
Transfers from (to) restricted cash account	18,779	(25,665)
Cashflows used in investing activities of discontinued operations	(2,891)	(5,296)
	(9,382)	(37,529)
<b>Financing activities</b>		
Proceeds from long term debt, net of loan origination fees	–	73,710
Repayment of long-term debt	(4,894)	(37,610)
Interest paid	(5,760)	(4,216)
Dividends paid	(5,669)	(5,554)
Cashflows used in financing activities of discontinued operations	(6,077)	(3,229)
	(22,400)	23,101
<b>Net increase (decrease) in cash</b>	<b>(5,259)</b>	<b>21,016</b>
<b>Cash and cash equivalents, beginning of year – continuing operations</b>	<b>22,970</b>	<b>2,608</b>
<b>Cash and cash equivalents, beginning of year – discontinued operations</b>	<b>5,989</b>	<b>5,335</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>28,959</b>	<b>7,943</b>
<b>Cash and cash equivalents, end of year – continuing operations</b>	<b>19,899</b>	<b>22,970</b>
<b>Cash and cash equivalents, end of year – discontinued operations</b>	<b>3,801</b>	<b>5,989</b>
<b>Cash and cash equivalents – end of year</b>	<b>23,700</b>	<b>28,959</b>



## 2018 Board of Directors

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The objective of the Board is simple: We strive to make decisions that will maximize performance, increase shareholder value and make the Peterborough Utilities Group a great place to work for our employees.

We keep our customers and the communities we serve at the forefront of every decision we make. Safety, risk management and good governance continue to be of the utmost importance for all PUG businesses.

We are proud of our achievements and pleased to provide you with an overview of our performance and activities in the 2018 fiscal year.



*David Bignell,  
Chair*



*Scott Baker,  
Vice-Chair*



*Mayor  
Daryl Bennett*



*Nancy  
Brown Andison*



*Arlynn Dupuis*



*Ross Garland*



*Louise Lalonde*



*Dan McWilliams*



*David Paterson*



*Bryan Weir*

## Executive Team

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*John Stephenson  
President &  
Chief Executive  
Officer*



*Bill Davie  
Chief Financial  
Officer*



*Patrick Devlin  
Vice-President  
Water Services*



*Mike Ploc  
Vice-President  
Electric Services*



*David Whitehouse  
Vice-President  
Customer &  
Corporate Services*



*John Wynsma  
Vice-President  
Generation  
& Retail Services*



*Carrissa McCaw  
Director  
Human Resources  
& Safety*



*Carrie Rucska  
Director  
Information  
Technology*

## 2018 Companies and Committees

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### **CITY OF PETERBOROUGH HOLDINGS INC.**

Dave Bignell, Chair  
Scott Baker, Vice-Chair  
Louise Lalonde  
Nancy Brown Andison  
Mayor Daryl Bennett  
Councillor Dan McWilliams  
Dave Paterson  
Arlynn Dupuis  
Ross Garland

### **PETERBOROUGH DISTRIBUTION INC.**

Dave Paterson, Chair  
Bryan Weir, Vice-Chair and  
Independent Director for OEB requirements  
Councillor Dan McWilliams

### **PETERBOROUGH UTILITIES INC.**

Scott Baker, Chair  
Dave Bignell, Vice-Chair  
Mayor Daryl Bennett

### **PETERBOROUGH UTILITIES SERVICES INC.**

Scott Baker, Chair  
Dave Bignell, Vice-Chair  
Mayor Daryl Bennett

### **AUDIT COMMITTEE**

Louise Lalonde, Committee Chair  
Nancy Brown Andison  
Arlynn Dupuis  
Ross Garland

### **GOVERNANCE & NOMINATING COMMITTEE**

Scott Baker, Committee Chair  
Dave Bignell  
Mayor Daryl Bennett

### **HUMAN RESOURCES COMPENSATION COMMITTEE**

Dave Paterson, Committee Chair  
Dave Bignell  
Arlynn Dupuis  
Mayor Daryl Bennett

### **RISK COMMITTEE**

Nancy Brown Andison, Committee Chair  
Louise Lalonde  
Dave Bignell  
Scott Baker



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