

Town of Cobourg Holdings Inc.

ANNUAL REPORT

2015



Lakefront
Utility
Services
Inc.



Lakefront
Utilities
Inc.

www.lakefrontutilities.on.ca

TABLE OF CONTENTS

Message from the President and Chair	2
Corporate Profile	4
Board of Directors	5
About Lakefront Utility Services Inc.	6
About Lakefront Utilities Inc.	7
Message from the Vice President of Operations	8
Health and Safety	10
Investing in our People	11
Electric Distribution and Design	13
Conservation and Demand Management	16
Customer Service	18
Financial and Regulatory Performance	19
Community Pride	22
Glossary	23



MESSAGE FROM PRESIDENT & CHAIR

The Town of Cobourg Holdings Inc. (Holdco), through its operating subsidiaries Lakefront Utilities Inc. and Lakefront Utility Services Inc., accomplished an outstanding year in 2015. We continued to execute on major capital projects, several of which were brought online in 2015, such as Supervisory Control and Data Acquisition (SCADA), and delivered exceptional

operational and financial performance throughout the year. Our core businesses are well positioned for further growth and we have identified multiple new opportunities to leverage our skills and strengths into additional markets by advancing important strategic growth initiatives and stimulating economic development in our communities.

VISION



Holdco is both a community asset and an investment for its shareholders, the Corporation of the Town of Cobourg and the Township of Cramahe. We strive to create long-term value for our shareholders at the same time as we provide safe, effective, efficient, and reliable service to our customers at the most reasonable rates possible.

Over recent years, this effort has shaped a revitalized utility that is facing the challenges of the evolving electricity and water industries head-on. We aim to be recognized as a leader among small utilities in Ontario, committed to excellence and driving change, prosperity, service excellence and financial performance. As the electricity and water sectors develop, Holdco and its affiliates are well positioned to achieve these objectives as well as face the challenges and opportunities of the future.

FINANCIAL PERFORMANCE



Holdco delivered very strong value for its shareholders in 2015.

Total net income for the 2015 year was \$1,650,485, which included a gain of \$693,239 associated with the sale of the hot water heater assets. The total net income, excluding the gain, was \$957,246, a \$277,592 or 41% increase from 2014. In 2015 we invested \$1,840,081 in electrical infrastructure improvements, a critical element of the ongoing maintenance and construction programs that will ensure the long-term integrity and sustainability of the distribution system.

The company continues to deliver a consistent dividend to the Town of Cobourg. In June 2015, our Board of Directors announced a dividend of \$340,400 in addition to the \$507,500 in interest that we pay to the shareholder annually. This dividend and interest payment is consistent with targeting a payout ratio of 50 percent in 2015, expressed relative to net income. We achieved all this while maintaining among the lowest electricity distribution rates in the Province of Ontario.

Holdco continues to provide a balanced approach to prudent capital investment, exceptional customer service and meeting shareholder expectations. Holdco balances shareholder and customer expectations, along with stable rate setting and a reasonable rate of return. We feel that customers understand the value proposition in fair and reasonable rates for the services that we provide and recognize that a strong financial base continues to guide long-term customer and shareholder value.

CUSTOMER ENGAGEMENT + COMMUNICATION



Great service and a passion for improvement are at the heart of a culture committed to excellence.

As an organization we are becoming more customer-centric by investing in new capabilities, programs, and technologies that allow us to communicate more effectively with customers. We provide customer facing representation and foster a culture of leadership in the community by delivering distribution excellence for customers and employees. We take the responsibility of informing, educating and responding to customer needs as a top priority. Fundamental sector changes in recent years, including ground-breaking green energy legislation, has precipitated the need for increased customer communications.

New communication channels are evolving rapidly. We currently utilize our website, Facebook, Twitter, LinkedIn, and launched a mobile workforce program that facilitates real-time

communication between our outside technicians and customer service staff to improve response time. In 2015, we launched electronic billing services that help us manage our costs, reward our customers and reduce our environmental impact.

This annual report reflects our commitment to our relationships with all classes of our customers who depend on us to be there for them day after day, and into the future.

Dereck C. Paul
President
Town of Cobourg Holdings Inc.

LOOKING FORWARD



Our performance in 2015 delivered great value to our shareholders and the communities we serve. Our company still faces challenges as it moves toward a more intelligent, interconnected, redundant infrastructure and clean energy future. Residential and business customers want more tools to control their energy use and to reduce their monthly bills. Businesses and our communities want greater investment in clean energy, albeit solar, wind or geo-thermal, at the lowest cost and without sacrificing reliability. The Province continues to encourage conservation, seek to reduce emissions, and to strengthen the grid against natural events and emerging threats. We believe Holdco and its subsidiaries have the skills and scope to partner with all our stakeholders to help solve these challenges and make our communities a better place.

Looking forward to 2016 and beyond, we are excited for the future. Change is inevitable, but we are well prepared for its challenges and opportunities, and will continue to build on our customer service strengths to further our relationship with our customers.

Reflecting on 2015 and our achievements both financially and operationally, our staff comes to the forefront of our minds. They are the most valuable resource of our company, performing outstandingly in 2015, and for that we wish to thank each and every one of them. We also want to thank our customers, shareholders and Board of Directors for their continued support, encouragement, dedication and efforts in providing these essential and related services that benefit our communities.

Gil Brocanier
Mayor of the Town of Cobourg
Chair, Town of Cobourg Holdings Inc.

CORPORATE PROFILE

TOWN OF COBOURG
HOLDINGS INC.



Town of Cobourg Holdings Inc. (“Holdco”) was incorporated under the Business Corporation Act (Ontario) on April 12, 2000 and through its affiliates, is engaged in the distribution of electricity and associated business activities. The company serves over 10,000 residential and commercial customers across the Town of Cobourg and the Village of Colborne.

Lakefront Utilities Inc. (LUI) – a regulated utility which distributes electricity and promotes energy conservation;

Lakefront Utility Services Inc. (LUSI) – a non-regulated services company which provides services to Municipalities related to the design, operation and maintenance of electrical and water systems.

The Corporation of the Town of Cobourg is the majority shareholder of Holdco with the Township of Cramahe (Colborne) owning one share.

Holdco and its affiliates, its Board of Directors and its management are committed to the highest standards of corporate governance and business ethics. Although not publicly traded, the Board and management team target compliance with the corporate governance guidelines of the Canadian Securities Act and the requirements of the Ontario Energy Board's Affiliate Relationship Code. The Board of Directors is made up of members that are fully independent of management. The Directors are guided by the communities' vision and strategic priorities of The Town of Cobourg and Township of Cramahe Councils and, thus, by the citizens of Cobourg and Colborne.

TOWN OF COBOURG HOLDINGS INC.

BOARD OF DIRECTORS

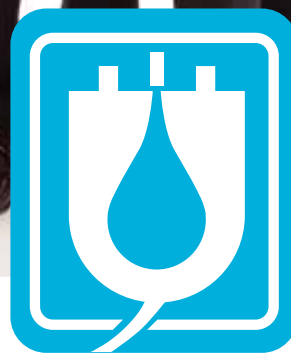


Holdco Board of Directors:
L-R: Cobourg Mayor Gil Brocanier (Chair), Peter Chilibeck, Barry Gutteridge, Frankie Liberty, Tony Farren and Cramahe Mayor Marc Coombs

The company continues to assess and monitor risks throughout the organization. Included in risk management is the safety of customers and the general public, as well as the reliability of electricity supply, service, data information and customer care. Traditionally, the company has a risk adverse strategy that is a blend of asset management, cost control leadership, differentiation, outsourcing and alliance based strategies. The board has focused on balancing reasonable improvements in reliability with operational efficiency and effectiveness while ensuring the financial success of the company. It considers the environment in all of its decision making processes, finding ways to reduce

waste, conserve and minimize the environmental footprint of the organization.

The ability to contribute meaningfully to the social, economic and environmental well-being of stakeholders, shareholders, workforce and the community remains a central component of the Board's approach to its corporate responsibilities.



LUSI Board of Directors:
L-R: Bill Pyatt, Peter Chilibeck (Chair) and Cramahe Mayor Marc Coombs

ABOUT LAKEFRONT UTILITY SERVICES INC.

Lakefront Utility Services Inc. (LUSI) provides the human resources, administrative, financial and operational services to Holdco and its subsidiaries, in compliance with applicable regulations.

LUSI provides customer-focused and cost-effective multi-utility services so that customers benefit from service advantages and economies of scope, scale and cost savings. LUSI also operates the Water Systems for the Town of Cobourg, Village of Colborne and the Hamlet of Grafton.

The organization strives for an environment that emphasizes teamwork, respect, innovation, passion, and growth. The company's future success requires that it provide a work environment where engaged employees thrive, premium talent wants to work and employee safety is maximized.



LUI Board of Directors:
L-R: Cobourg Mayor Gil Brocanier, Barry Gutteridge (Chair) and Stanley Stewart

ABOUT LAKEFRONT UTILITIES INC.

LAKEFRONT UTILITIES INC. AT A GLANCE

Service Territory Size: 28 square kilometers of urban service area

Total Number of Customers: 10,230 (as at December 31 2015)

Service Area Population: 24,300 (2011 Stats)

Number of Employees: 16

Total Revenue: \$4,645,221

Other Income: \$56,259

Energy Distribution: 238,340,475 kWh

Peak Load: 42,610 kW

Total Number of Hydro Poles: 3,718

Total kilometers of overhead lines: 142 km

Total kilometers of underground lines: 50 km

Total Number of Distribution Transformers: 1,297

Total Number of Distribution Station Transformers: 7

Total number of meters: 10,200

(of which 10,019 are Smart Meters)

SAIDI (average number of hours that power to a customer is interrupted annually): .49

SAIFI (average number of times that power to a customer is interrupted annually): .46

Lakefront Utilities Inc. (LUI) holds the Ontario Energy Board license to own and operate an electricity distribution system which delivers electricity to customers in the Town of Cobourg and Village of Colborne. While LUI owns the wires, poles, transformers and meters that bring electricity from the provincial electricity transmission grid to the doors of over 10,000 homes and businesses, the electrical system is operated by the employees of Lakefront Utility Services Inc. (LUSI).

Lakefront Utilities Inc. and its affiliates understand that continued success depends on an ability to be resourceful and proficient in order to progress in today's dynamic electrical distribution environment. Lakefront's commitment to its customers and shareholders through operational excellence and efficiencies is demonstrated throughout this annual report.

MESSAGE FROM VICE PRESIDENT OF OPERATIONS

I am pleased to report that 2015 was a very successful year for the Operations of our organization. We continued to focus on maintaining a high level of performance in all aspects of our operation and planning activities to comply with the regulatory obligations of, and responsibilities to, the Ontario Energy Board and the Electrical Safety Authority. Throughout 2015, we delivered the core of Holdco's mandate: to be a trusted source of safe, efficient, and reliable power for our customers while supporting growth and accommodating economic development in Cobourg and Colborne.

INFRASTRUCTURE UPGRADES



A critical element of our success is the ongoing maintenance and construction programs that ensure the long-term integrity and sustainability of the distribution system.

Our capital work continued to increase at a significant rate in 2015, challenging the employees that design, construct, operate and maintain the electricity distribution system within our service area. Our dedicated and professional staff performed their respective functions extremely well, allowing our organization to continually meet and exceed the expectations of our shareholders and customers.

We spent approximately \$1.84 million in capital work associated with the electric distribution system and new customer connections. The 2015 additions were consistent with the organization's five-year average of \$1,814,761. In 2015, we rebuilt 2.52 km of overhead distribution, replaced 36 transformers, two pad-mounted high voltage switches and 88 wood poles. We also completed our multi-year Supervisory Control and Data Acquisition (SCADA) system installation that is in operation at our office at 207 Division Street in Cobourg.

RELIABILITY AND SAFETY



Workplace health and safety is always our first priority. We strive to continuously enhance this critically important aspect of our business and recognize the importance of a safe workplace to each of our employees and their families.

In 2015, we remained in compliance with Ontario Regulation 22/04 and have had no general public safety incidents in our history. Reliability, measured as the average number of hours and number of times that power to a customer is interrupted, has improved from prior years. We are very proud that our reliability statistics are well within the OEB's target and are better than the industry average.

We are working towards a comprehensive Distribution System Plan in 2016 which provides a five year strategy for asset management and capital expenditures to ensure we are able to provide reliable supply to meet current customers' needs and accommodate future growth. The plan reviews LUI's current asset assessment and maintenance strategies and builds a comprehensive expenditure strategy that addresses asset management while planning for technological advancements, remote controls and potential growth.

Our successes would not be possible without the hard work and dedication of our employees. I consider myself privileged to lead such a respected team. The communities that we service benefit each and every day from the individuals that diligently and skillfully work to deliver the exceptional service that our customers have come to expect.

Ron Little, Vice President of Operations
Lakefront Utilities Inc.



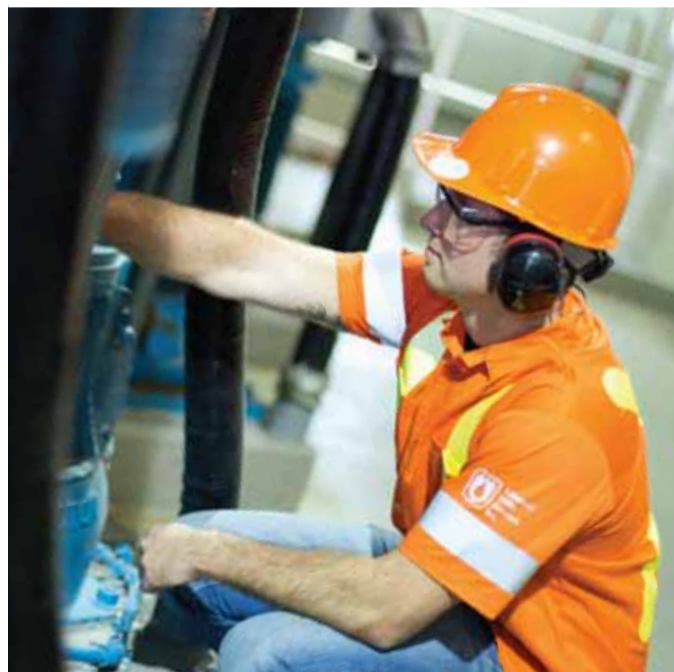
HEALTH & SAFETY

Nothing is more important to Holdco than the health and safety of its employees, their families, and the communities that it serves. The organization places a strong emphasis on creating a safe workplace and its efforts to create a culture of workplace safety has been embraced by the entire organization.

The work involved in building, maintaining and repairing the electrical distribution system is physically challenging and often dangerous. Operations crews' daily routine includes structured, documented meetings at every job site to review hazards, roles, and responsibilities – and to think about safety first. Active participation in health and safety training, safety meetings, job planning, incident reporting, workplace inspections, crew site visits, bi-monthly meetings of the Joint Health and Safety Committee (JHSC), and new worker orientation are examples of the successful measures taken to ensure the health and safety of all employees.

Health and Safety highlights of 2015 include two members of the company's JHSC becoming Certified Members as per the Workplace Safety and Insurance Board, LUI participating as a member of BOLT Safety Videos, and assisting in updating 14 videos and producing 2 new videos. The greatest safety achievement in 2015 was that incident reports significantly declined to 4, compared to 15 in 2013 and 7 in 2014.

Holdco celebrated 164,010 hours worked between May 16, 2013 and December 18, 2015 without a lost time injury. This accomplishment is a significant achievement for a small utility and demonstrates the commitment to the health and safety of all employees.



Year	2011	2012	2013	2014	Average	2015
# of employees	39	41	37	36	38	31
Lost Time	1	0	1	0	.50	0
Incidents / Injury (No Lost Time)	3	4	5	4	4	1
Property Damage	4	2	5	2	3.2	1
Near Miss	0	0	4	1	1.2	2
Total Incidents	8	6	15	7	1.2	4

INVESTING IN OUR PEOPLE

Holdco strives to ensure that employees are provided with a challenging, rewarding, enjoyable and fulfilling career and endeavors to assist employees in balancing career, home and personal life through supportive human resource policies and management approaches. The organization continues to empower the leaders of the organization to drive performance, discover new opportunities, and foster talent.

Human resource management programs and services are aligned with Holdco's values of integrity, excellence and wellness, enabling the company to meet its goals by:

- Promoting excellence in human resource management and providing leadership in the implementation of the company's numerous policies and procedures;
- Providing a proactive human resource advisory, information and service function to the departments of Holdco;
- Encouraging all departments to implement sound human resource practices.

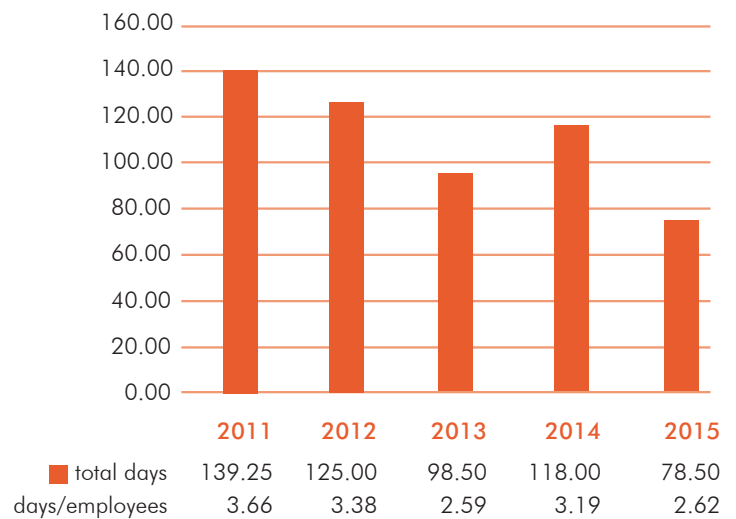


RESOURCE MANAGEMENT

Employee absenteeism has a direct impact on the level of service employees provide. High levels of absenteeism can lead to poor quality of service, increased costs, lost productivity and reduced morale of co-workers. Absenteeism had been on the rise between 2011 and 2014 indicating a need for better management in this area. As a result, Holdco's goal for 2015 was to:

- **Promote optimal and consistent attendance at work;**
- **Raise awareness of the importance of good attendance;**
- **Provide a framework for responding to excessive absenteeism.**

SICK TIME 2011 - 2015



To achieve this goal Holdco ensured appropriate manager/supervisor employee communication which provided a healthy workplace conducive to regular attendance. Holdco recognized good attendance, identified employees who had unacceptable levels of absenteeism, and supported those employees with appropriate resources for achieving and maintaining regular attendance.

As a result, the total sick days in 2015 decreased by 39.50 days or 33.47% from 2014. Furthermore, the sick days decreased by 0.57 days per employee from 2014.



TRAINING

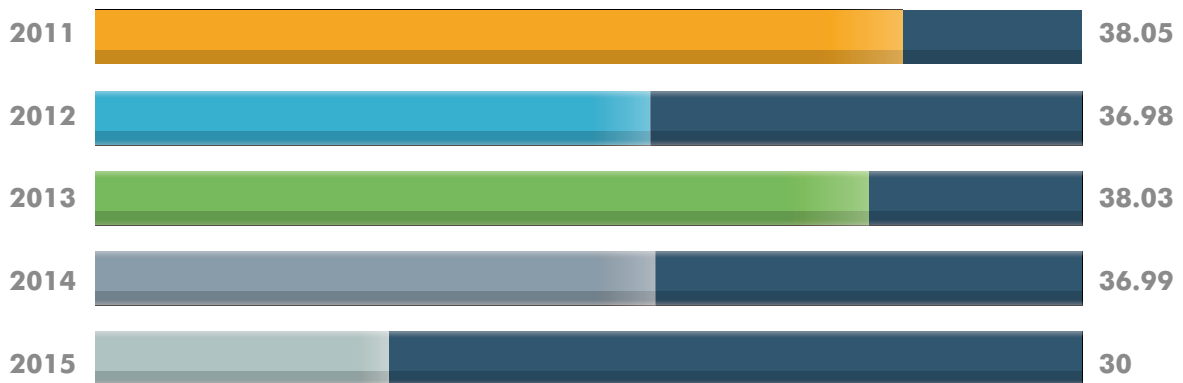
The organizational investment in formal learning and development activities increased from 2014 by 12.83%, with departments taking advantage of 100% of their training budgets.

Learning and development was identified as one of the drivers with the highest potential for positive impact on employee engagement. Human Resources has continued in its efforts to offer employees options and opportunities for development beyond regular training workshops already available.

FULL TIME EQUIVALENT ANALYSIS

Realizing a vision of becoming a world-class organization depends upon the ability to create an environment where employees can thrive. Full Time Equivalents ("FTE") in this report include full and part time employees, temporary, and seasonal staff. Human Resources continues to meet with management to develop a shared understanding of the projected changes in the workforce and review various performance metrics in conjunction with the influence that the external environment has on talent availability. Holdco's FTE for the 2015 year of 30 employees is 6.99 employees less than 2014, a decrease of 18.90%. Holdco is committed to having an appropriately sized workforce in place to execute our strategy, while also remaining mindful of efficiency objectives.

FTE 2012 - 2015



ELECTRIC DISTRIBUTION AND DESIGN



Scott Wright
Manager of Distribution and Design

ASSET MANAGEMENT

Holdco's success is dependent on a robust system of physical assets. Operations maintains and regularly updates an asset management plan, which is an evolving blueprint for maintaining the utility's infrastructure and other assets to deliver an agreed standard of service. The asset management plan documents the health of thousands of individual pieces of infrastructure, equipment, and assets that must work seamlessly together to deliver reliable electricity to customers.



CAPITAL EXPENDITURES



Like many utilities in Ontario, Lakefront Utilities Inc. must replace aging distribution system equipment at an accelerated pace. Holdco's capital expenditures in 2015 were \$1,840,081, and includes the following:

- Completion of 28kV conversion related to end of life assets:
 - Meredith Crescent
 - Hamilton Avenue
 - Hawthorne Avenue
 - Parkwood Drive
 - Thomas Street
 - Maplewood Boulevard
- Replacement of a failed transformer at the Brook Road substation in Cobourg.
- Purchase of a 44kV load break switch.
- An upgrade of the billing software to enable the organization to offer improved services and options (e-billing, m-care, etc.) to create efficiencies in customer service.

- Investment in new customer connections and residential subdivisions during the year.
- Upgrades to the Geographic Information and Supervisory Control systems, and improvement to the tools used to manage and optimize company assets now, and in the future. The information gathered has been used to create a comprehensive distribution system plan and improve operations.

A full schedule of distribution asset inspection and maintenance programs are maintained on an annual rotation. Inspection, maintenance and operational data is collected and used to maintain and update the asset source data and support operating and capital expenditure plans.

RELIABILITY

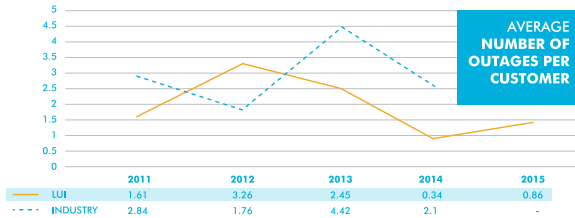
Lakefront Utilities Inc.'s reliability performance noticeably improved in 2015 after several years of challenges due to episodes of bad weather as well as increasing failure rates due to aging distribution assets.

The company works to continually deploy its asset management program, invest in new infrastructure, and target initiatives (such as the tree trimming program) that can heavily impact system reliability.

The reliability indices indicate that (aside from loss of supply from Hydro One) equipment failure, tree contact, and foreign interference are three of the key contributors to customer outages.

The large proportion of outages caused by equipment failure is one of the reasons LUI is undertaking a voltage conversion program over the next several years. In addition to the voltage conversion work, LUI will continue with its pole and transformer replacement programs throughout the service area.

The outage analysis and system performance measures provide an overview of performance of the distribution system during 2015. These statistics are based on the raw data provided for incidents and outages and contributes to LUI's Asset Management Plan by identifying future maintenance and capital budget priorities to enhance the reliability and performance of the distribution system.

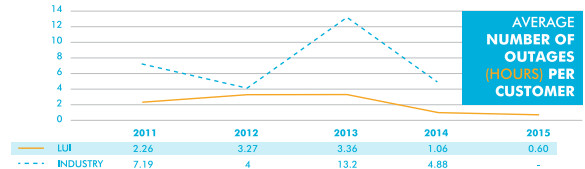


TECHNICAL SERVICES

The Technical Services team at Lakefront Utilities Inc. is responsible for the planning, design and coordination of electrical distribution system enhancements, expansions, and connections. In addition, staff provided work order packages to the distribution department to upgrade and expand more than 3.8 km of the distribution system. Technical Services also provides design and asset management for the Town of Cobourg street lighting system.

Throughout 2015, Technical Services has been preparing for the implementation of an enterprise-wide Geographical Information System (GIS). This new system will interface with key functions of the utility, including asset management, design, system planning, underground locates, and a future proposed outage management system thus allowing staff to more effectively manage and operate the system. This system will also provide accurate system data to other departments as well as the underground locate service providers.

The Technical Services department is responsible for the correct metering of electricity for revenue billing, and as a result makes accuracy their highest priority. The department is responsible for the maintenance and proper operation of more than 10,200 electrical meters throughout the LUI's service area.





CONSERVATION AND DEMAND MANAGEMENT

ASSISTING CUSTOMERS TO SAVE MONEY

Reducing the amount of electricity used by homes and businesses saves customers money on their electricity bill and helps avoid the need to build expensive new electricity generation and transmission capacity. Recognizing this, in 2010 the Minister of Energy for Ontario directed the OEB

to amend the electricity distribution licenses of all Local Distribution Companies (LDC) to include a condition that requires electricity distributors to make Conservation and Demand Management (CDM) programs available to all customer segments in their service areas beginning in 2011. Additionally, the Minister of Energy issued a direction to require the Independent Electricity System Operator (IESO) to coordinate, support, and fund the delivery of CDM programs through electricity distributors.

In 2015 the IESO implemented the new six-year Conservation First Framework with an objective to reduce electricity consumption by a total of 7 terawatt hours during the 2015 through 2020 period. LUI's share of the total energy savings is 12 gigawatt hours.

The Save on Energy programs offered within the Conservation First Framework cover energy efficient and money saving solutions for residential, commercial, industrial, and low-income customers. Under the new framework, LUI has the opportunity to create a plan and customer programs to meet local needs and pilot new technologies.

RESIDENTIAL CUSTOMERS

In 2015, Lakefront Utilities Inc. offered programs, tools, and incentives to homeowners, tenants, builders, and developers to assist in better understanding and managing energy use and to motivate the installation of energy efficiency measures in both existing and new home construction. These Save on Energy initiatives include:

- **peaksaverPLUS**
- **HVAC Incentives**
- **Coupons / Coupon Events**
- **Residential New Home Construction**
- **Fridge & Freezer Pickup**

COMMERCIAL AND INSTITUTIONAL CUSTOMERS

LUI provided incentivized energy-efficiency programs to commercial, institutional, and industrial organizations to help reduce electrical costs and be more competitive while helping to reduce the need to build new generation in Ontario. These Save on Energy initiatives offered by LUI include:

- **Efficiency: Equipment Replacement Initiative**
- **Direct Install Initiative**
- **Existing Building Commissioning Incentive Initiative**
- **New Construction and Major Renovation Initiative**
- **Energy Audit Initiative**

LUI's partnership with commercial conservation specialist Burman Energy Consultants Group Inc. assisted in providing over \$200,000 in incentives for the Efficiency: Equipment Replacement Initiative and implemented 52 Direct Install Lighting projects with businesses in Cobourg and Colborne through the Save on Energy FOR BUSINESS program in 2015.

INDUSTRIAL CUSTOMERS

Lakefront Utilities Inc. assisted the owners of large facilities in discovering the benefits of implementing energy management and system optimization projects through LUI's financially incentivized conservation programs. The programs help organizations modernize systems for enhanced productivity and product quality, as well as provide a substantial boost to energy productivity. This allows facilities to take control of energy use so they can create long-term competitive energy advantages which reach across the organization. The Save on Energy programs include:

- **Process and Systems Upgrade Initiative**
- **Monitoring and Targeting Initiative**
- **Energy Manager Initiative**
- **Demand Response 3 Initiative**

Through its membership in Cornerstone Hydro Electric Concepts Inc.'s association (CHEC), LUI shares a Roving Energy Manager with 12 other LDCs in Ontario, a feature that was made possible through the IESO's Collaboration Fund. In 2015, the Roving Energy Manager actively engaged customers by performing no-cost walk-through audits in LUI's service territory to identify potential projects where the customer can reduce energy consumption and receive funding through Save on Energy programs.

LOW INCOME CUSTOMERS

LUI worked with GreenSaver to help income-qualified homeowners and tenants in Cobourg and Colborne improve home energy efficiency through the Save on Energy HOME ASSISTANCE Program (HAP).

Save on Energy's CDM programs have provided ideal opportunities for LUI to connect with residential, commercial, and industrial customers to offer them concrete strategies, incentives, and tools for better managing their electricity bills. During 2015, LUI's conservation staff was out in the community attending events, at local Blood Donor Clinics, hosting emPOWER Hour open houses, handing out coupons and time-of-use magnets, providing tips on wise energy use, and promoting the province's Save on Energy conservation programs. Community events and customer engagement are just some of the ways that a small utility such as LUI can gain exposure for conservation initiatives and develop a deeper relationship with its customers.

saveonenergy^{GM}

CUSTOMER SERVICE

Tanya Lachner
Customer Service Supervisor



CUSTOMER CENTRIC APPROACH

Holdco's primary goal is to maintain a high level of customer satisfaction through quick, efficient and reliable service and a variety of customer engagement initiatives. In 2015, LUI sought customer feedback to better understand and engage all classes of customers in person, on the telephone, online, and via social media. This initiative was to better understand their evolving wants and needs and to shape the direction and development of customer service initiatives to ensure expectations are being met.

The 2015 Customer Satisfaction survey found that 82% of respondents rate the overall value of their electricity service between good to excellent. 91% of customers are satisfied with the payment options offered by LUI. 87% of customers indicated that they received good to excellent service from LUI's customer service staff. 74% of respondents indicated that LUI was good to excellent

at communicating. The feedback from the Customer Satisfaction survey helped shape customer engagement activities in 2015 and was instrumental in forming plans for 2016 and beyond.

EXCEEDING STANDARDS

The Ontario Energy Board established quality performance standards in order to create an environment for electricity distributors to continue to provide dependable delivery of electricity to all customers. Annually these performance standards are reported through Electricity Distributor Scorecards which LDCs make available to the public. These standards support distributor investment planning decisions, assist the Board in the review of facilities and rate applications, and reinforce the quality of service provided to Ontario electricity customers. In 2015, Lakefront Utilities Inc. exceeded the majority of standards. Below is a snapshot of a selection of the 2015 results.

	LUI 2015 RESULTS	OEB APPROVED STANDARD (ON A YRLY BASIS)
Billing Accuracy	99.99%	98%
First Contact Resolution	99.96%	*
Appointment Scheduling	100%	90%
Appointment Met	100%	90%
Telephone Accessibility	92.16%	65%
Telephone Call Abandon Rate	6%	10% or Less
Written Response Enquiries	100%	80%
Reconnection Performance Standard	97.44%	85%

* The OEB believes it is too early to set a target for this new measure.

Customer-centric initiatives taken in 2015 to maintain and enhance customer satisfaction and overall public perception of the utility include:

CUSTOMER CENTRIC ACTIVITIES
eCare and eBilling: Access to e-billing and individual electricity usage data through an online portal
mCare: Faster service response through automated service order delivery to Field Service Representatives
Ease of Billing: Includes the transition to monthly billing in October, the option for pre-authorized payments, and equal billing
In-Office Customer Service: Continued in-office, face to face customer service
Website: Launch of the redesigned website in September to ensure easier usability and navigation
Bi-annual survey: Administered by Lakefront to ensure customer needs are being met
Open House Events: "emPOWER Hour" events increased communication between LUI and its customers as well as gathered essential feedback from the community
Low Income Assistance: The Low-Income Energy Assistance Program (LEAP) helped 21 households, with LUI funds of \$5,300, to assist with their electricity bill payments
Social Media: Lakefront is active on Facebook, Twitter and LinkedIn to maximize customer outreach on preferred communications channels

CHANGING INDUSTRY CHANGING CUSTOMER

The relationship between LDCs and their customers is changing and Holdco is taking steps to enhance the company's engagement with its community. Customers are no longer happy to simply receive an accurate and timely bill in the mail. There is an identified need for increased engagement through communication and education.

The company is committed to promoting easy and beneficial relationships with its customers through convenient and user friendly communications tools. Holdco uses a variety of platforms including Facebook, Twitter, LinkedIn, and a redesigned website in 2015 to accommodate customers' growing need for information in a rapidly changing industry.



Holdco continues to explore new ways of expanding services to benefit their customers.

TOWN OF COBOURG HOLDINGS INC. - December 31, 2015

Holdco takes its economic responsibility to its communities and ratepayers seriously through consistently strong profitability, having among the lowest residential and commercial electricity rates, and substantial infrastructure investments.

In all its activities, Holdco strives to do better financially in ways that foster sustainable development and economic growth. In 2015, the company continued to deliver superior returns for its shareholder, the Town of Cobourg, while prudently and responsibly revitalizing and rejuvenating the infrastructure and performing in the top tier amongst all utilities in Ontario.

In 2015, net income increased by 58.82% to \$1,650,485. The increase included a one-time gain of \$693,239 on the sale of the water heater assets. Excluding the gain, Holdco's net income was an increase of \$277,592 or 40.84%.

Revenue growth in the electricity distribution business is not expected to keep pace with cost increases arising from customer growth, contractual and inflationary pressures, and changing regulatory requirements. Productivity improvements are necessary to partially offset rising costs and will be critical to increasing shareholder value. Holdco's strong financial performance for 2015 was achieved in large part through the continued focus on cost controls.

	2015	2014
REVENUE		
Service revenue	4,559,344	4,579,747
Cost of power revenue	28,754,746	24,427,242
Contributions in aid of construction	110,563	104,545
	33,424,653	29,111,534
COST OF SALES		
Cost of power purchased	28,754,746	24,427,242
GROSS PROFIT		
	4,669,907	4,684,292
OTHER OPERATING REVENUE		
	887,466	1,041,162
GROSS INCOME FROM OPERATIONS		
	5,557,373	5,725,454
EXPENSES		
Loss (gain) on sale of PP&E	(693,239)	8,552
Amortization	1,169,051	1,116,535
Community initiatives	60,971	61,257
Customer billing and collecting	512,705	594,312
Interest	582,789	644,309
General and administration	1,480,421	1,532,762
Distribution	733,966	835,892
	3,846,664	4,793,619
INCOME BEFORE INCOME TAXES		
	1,710,709	931,835
PROVISION FOR INCOME TAXES		
	60,224	252,181
NET INCOME		
	1,650,485	679,654

* Unaudited financial information, prepared internally and subject to adjustments and modifications.

Adam Giddings
 Manager of Regulatory
 Compliance and Finance



FINANCIAL AND REGULATORY PERFORMANCE

Lakefront Utilities Inc. continued to be the largest contributor to net income for Holdco. Electricity consumption increased modestly from 2014 by 5% for Residential customers and 1% for Commercial customers, for a total increase of 2%.

In 2015, management developed a detailed financial plan for a six-year period (2016-2021) which was submitted for review and approval to the Board of Directors. This strategic exercise will provide sufficient assurance of funding required to compensate the company for its required investments to rejuvenate the electricity distribution system.

RATES

The Ontario Energy Board has regulatory oversight of electricity matters in the Province. Every item and charge on a customer’s bill is mandated by the provincial government or regulated by the OEB. While LUI collects both the distribution and transmission charge, the transmission charge is remitted to Hydro One. The distribution charges include the portion of bill that LUI keeps, as well some other “pass through” charges, most of which are remitted to the IESO.

The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies such as Lakefront Utilities Inc. fulfill obligations to connect and service customers.

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.

In October 2015, LUI filed a rate application to the OEB for rates effective May 1, 2016. While the overall customer bill increased in 2015, the approved distribution rate increase for Lakefront Utilities Inc. was 1.60% effective May 1, 2016.

The company continues to keep local distribution rates competitive with its 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.

RESIDENTIAL CUSTOMER BILL - 750 KWH As of May 1, 2016

1	Power Stream - Barrie	140.58
2	Kingston Hydro	140.75
3	Brantford Power	142.25
4	Lakefront Utilities	143.77
5	Oshawa PUC	143.77
6	Peterborough Distribution	144.25
7	Veridian	145.37
8	Entegrus	145.64
9	North Bay	146.02
10	Welland	147.42
11	Newmarket Distribution	147.54
12	Milton Hydro	147.60
13	Whitby Hydro	151.64
14	Bluewater Power (Sarnia)	152.49
15	Niagara Peninsula Energy	152.70



SCORE CARD AND LDC SECTOR COMPARISONS

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 utilities produced their first Electricity Distributor Scorecard which tracks these outcomes.

Lakefront Utilities Inc. maintained a strong performance review on the Ontario Energy Board’s 2014 Scorecard, which is found on Lakefront’s website:

<http://www.lakefrontutilities.on.ca/2014-scorecard/>

In keeping with the goal to be the best performing energy company in Ontario, LUI seeks to benchmark the controllable costs, revenue need, and return on equity performance against its industry peers.

The company’s disciplined approach to asset management and renewal is beginning to pay off in lower Operations, Maintenance, and Administration (“OM&A”) costs for the regulated distribution system. During the last five years, LUI has demonstrated its ability to minimize annual cost increases. As of 2014, LUI has the 4th lowest OM&A cost per customer out of 72 utilities in the province. Although 2015 data has not been approved by the OEB, LUI’s draft OM&A cost per customer for 2015 is \$445, 1.33% lower than 2014.

OM&A COST PER CUSTOMER 2014

1	Hydro Hawkesbury	260
2	E.L.K. Energy	367
3	Wasaga Distribution	423
4	Lakefront Utilities	451
5	Ottawa River Power	471
6	London Hydro	477
7	Hearst Power	479
8	Hydro 2000	480
9	Kitchener-Wilmot Hydro	483
10	Welland Hydro	483



INDUSTRY ORGANIZATIONS

LUI is a proud member of three associations; Cornerstone Hydro Electric Concepts Inc., Electricity Distributors Association, and Utilities Standard Forum. As a paid member of these associations, LUI is able to further seek opportunities for efficiencies, collaboration, streamlined costs, and to provide value to customers and to shareholders.

CORNERSTONE HYDRO ELECTRIC CONCEPTS

Cornerstone Hydro Electric Concepts Inc. (CHEC), is a collaborative organization of 15 small utilities that share resources and expertise to provide cost efficiencies and best practices to all members of the association. LUI benefits from the support available through CHEC in Finance, Regulatory, Operations, and Conservation and Demand Management by gaining access to economies of scale and ensuring all areas of its operations are as efficient and cost effective as possible.

The mission of the CHEC group is to be recognized as the premier LDC Cooperative in the province by meeting or exceeding member expectations through the sharing of services, opportunities, knowledge, and resources. The value of the CHEC group include the sharing of resources, both intellectual and technical, and enabling members to deliver value to their customers and shareholders ensuring competitiveness in the marketplace.

ELECTRICITY DISTRIBUTORS ASSOCIATION

The Electricity Distributors Association (EDA) provides analysis, networking opportunities, and a collective voice on issues vital to its members' business success. It represents Ontario's local electricity distribution sector, which safely and reliably delivers power to millions of homes, businesses and public institutions.

The EDA is unique among energy-related associations in that it focuses exclusively on the issues and needs of the local electricity utilities, such as LUI, who are the consumer-facing companies responsible for the actual delivery of electricity to homes, businesses, and public institutions.

Leveraging the unique depth of distribution-related expertise, the EDA provides members with:

- Up-to-date, expert analyses of relevant legislation and market rules, with a particular focus on regulation
- Networking opportunities for communication with professional and industry colleagues

- Advocacy and representation in the legislative and regulatory environment and the electricity market in Ontario

EDA activities and policies are also consistently informed by a consideration of how customer interests – and the need to ensure the long-term sustainability of our electricity system – can best be advanced.

UTILITIES STANDARDS FORUM

Utilities Standards Forum (USF) is a non-profit, volunteer based corporation owned by 50 Ontario electricity distributor members that service over 1.9 million customers. Its primary purpose is to develop and maintain system design standards approved to Regulation 22/04. The USF standards are maintained with continuous updates and improvements to meet current engineering practices, tools, and requirements.

USF also offers member representatives a mechanism for collaboration and networking on other common technical challenges and regulatory requirements. USF hosts a schedule of events providing technical training, networking opportunities, and support to one another on common technical issues.

USF also advocates with the Electrical Safety Authority (ESA), Canadian Standards Association (CSA), and other applicable legislative bodies regarding distribution standards and other technical requirements.

COMMUNITY PRIDE

Holdco is more than just about providing safe and reliable services to its customers. The utility sponsors, organizes, volunteers and participates in several events within the community. Holdco is proud to give back to the community it serves, which benefits many organizations and highlights the company's community investment and outreach values.

LAKEFRONT IS A PROUD SUPPORTER OF:

- Christmas Magic Tree Lighting Ceremony
- Cobourg Municipal Day
- Cobourg Waterfront Festival
- Durham College Training Program
- Ganaraska Region Conservation Authority
- Habitat for Humanity Northumberland
- KPRD School Board Co-op Student Program
- Big Brothers Big Sisters of Northumberland
- Northumberland Central Chamber of Commerce
- Northumberland Fare Share Food Banks
- Northumberland Hills Hospital's "Biggest Coffee Morning"
- Northumberland Manufacturers' Association
- Northumberland United Way
- Rotary Ribfest
- Salvation Army Adopt-a-Family
- Town of Cobourg Emergency Planning Group
- Water For People



SCHOLARSHIPS

LUI strongly values investing in the youth of the community. LUI offers a renewable \$1,000 scholarship to a qualifying student in each of the secondary schools in the service area every year.

SPONSORSHIPS

Lakefront is proud to support a variety of community-based events in Cobourg through sponsorship and donations.

In 2015 Lakefront was most notably a presenting sponsor for the Business Achievement Awards and the Civic Awards. Lakefront also sponsored Blood Donor Clinics and the water on wheels booth at the Cobourg Waterfront Festival, as well as supported the OFAH/Ganaraska Forest Centre Conservation Dinner and many other smaller charitable events and community fund raisers through prize donations.

VOLUNTEERS & DONORS

Lakefront employees are encouraged to actively engage and volunteer within their community. A number of the company's charitable projects and initiatives hosted in 2015 were suggested and coordinated by employees demonstrating the strong value of volunteerism that is embraced by the company and its people.

Employees opt in to participate in payroll deductions in support of Northumberland United Way and can individually direct their proceeds from the weekly Casual Fridays to a charity of their choice. Employees annually Adopt-a-Family through the Salvation Army program and personally purchase food and gifts for a family in need during the holiday season.



COMMUNITY INITIATIVES AND APPRECIATION EVENTS

For the last five years, Holdco has hosted a Charity Golf Tournament which has raised over \$6,500 for various community agencies. Most recently the proceeds from the tournament have gone towards supporting Holdco's Day of Sharing event in partnership with Northumberland United Way. During the Day of Sharing event Holdco shuts down its regular business operations for one day in October and all employees work on meaningful projects in the community like painting, yard work, and minor home renovations for those in need.

On December 19, Holdco hosted their first annual Holiday Customer Appreciation Event. They expressed gratitude to their customers by offering complimentary hot chocolate or apple cider and a horse-drawn wagon ride around the spectacular Christmas Magic lights at the Rotary Harbourfront Park and Esplanade in downtown Cobourg. Initiatives like these provide an opportunity for staff to give back to the communities that the utility services. This reflects Holdco's gratitude for being entrusted with the important tasks of managing one of the municipalities' most valuable assets and providing safe and reliable utility services.

GLOSSARY

ONTARIO ENERGY BOARD

The Ontario Energy Board oversees the energy sector in Ontario. The OEB's objective is to promote a viable, sustainable, and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services that are cost effective. The OEB is an impartial public agency.

THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR

The Independent Electricity System Operator (IESO) works at the heart of Ontario's power system ensuring there is enough power to meet the province's energy needs in real time while also planning and securing energy for the future. It does this by:

- balancing the supply of and demand for electricity in Ontario and directing its flow across the province's transmission lines
- planning for the province's medium and long-term energy needs and securing clean sources of supply to meet those needs
- overseeing the electricity wholesale market where the market price of electricity is set
- fostering the development of a conservation culture in the province through programs such as Save On Energy

LOCAL DISTRIBUTION COMPANIES

Local distribution companies (LDCs) are responsible for delivering electricity, transformed from the high-voltage transmission system to the low-voltage distribution system, to more than four million Ontario homes, businesses, and public institutions. Local distribution companies deal directly with residents and small businesses, create and implement conservation programs and maintain local distribution wires.

There are currently 72 LDCs in Ontario. They are both publicly and privately owned with the majority being owned by municipalities. Local distribution companies are regulated monopolies in their respective communities and service areas. Their rates are regulated by the Ontario Energy Board.

NOTES

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LAKEFRONT UTILITIES

Town of Cobourg Holdings Inc.

207 Division Street, PO Box 577
Cobourg, Ontario K9A 4L3

Tel 905-372-2193
Fax 905-372-2581

www.lakefrontutilities.on.ca