



Exhibit 1 – Administration

1-SEC-1

[Ex. 1, p. 8]

Please provide the main agreements and constating or other governance documents for GridSmartCity Cooperative.

The GridSmartCity Cooperative is an independent legal entity, with its own Board of Directors, where LDC members work together with a common focus of achieving scale efficiencies and purchasing power while advancing innovation, reliability and efficiency across member's service areas. While KWHI is a member of the Cooperative, each Local Distribution Company maintains its own individual autonomy by reporting to its own Board of Directors. GridSmartCity does not govern KWHI or have any influence over the governance of KWHI. For this reason, KWHI believes that the governing agreements and documents are not relevant to KWHI's rate application. Furthermore, the GridSmartCity governance documents contain a confidentiality clause that requires all information furnished to or acquired by the Board of Directors, which includes the governance documents, to be treated as confidential.



1-SEC-2

[Ex. 1, p. 9]

Please provide, for each of the last ten years of actuals, the Total Spend of the Applicant broken down between operating costs and capital costs, and for each year the number of customers and the Total Spend per customer.

Year	Number of Customers	OPEX*	CAPEX	TOTEX	\$ Spend / Customer
2009	85,194	12,411,967	21,276,347	33,688,314	395.43
2010	86,631	12,282,466	20,832,224	33,114,690	382.25
2011	87,991	13,952,977	22,909,722	36,862,699	418.94
2012	89,049	16,414,581	20,106,794	36,521,375	410.13
2013	90,043	16,379,280	20,085,547	36,464,827	404.97
2014	91,169	16,623,238	20,403,452	37,026,690	406.13
2015	92,428	16,153,864	21,419,521	37,573,385	406.52
2016	94,082	17,108,587	25,523,520	42,632,107	453.14
2017	95,780	17,961,526	21,114,561	39,076,087	407.98
2018	96,849	19,418,369	20,302,352	39,720,721	410.13



1-SEC-3

[Ex. 1, p. 10]

For each of the positions that were primarily funded by CDM programs, please describe what has happened to the position, how it is currently funded, and the full impact of the change on regulated revenue requirement.

Since the peak of the CDM program and as at the time of the announcement discontinuing CDM activities at the LDC level, the CDM department had already downsized by two positions to four employees.

Since the announcement to discontinue CDM activities at the LDC level,

- One employee has left the department to fill an existing vacancy in KWHI's engineering department (this transfer has no impact on KWHI's revenue requirement);
- Another employee has left for a year-long maternity leave (this position has not been factored into KWHI's revenue requirement).

For the remaining two employees have affected KWHI's revenue requirement for 2020:

- The Manager of Conservation and Communications worked part-time on the two activities within his areas of responsibility – 50% charged to CDM and 50% charged to Communications. Upon completion of CDM activities, this staff member will become a full-time Manager of Communications.
- KWHI's C&I customers, through the Customer Engagement process, made it clear that attention to their needs through frequent communications was important to them. The remaining employee will be transferred full-time to KWHI's Customer Service department as a Key Accounts Representative following the wind-up of CDM activities.
- The impact to KWHI's 2020 revenue requirement is estimated to be \$322,200, inclusive of labour and labour overheads.



1-SEC-4

[Ex. 1, p. 11]

Please provide a breakdown of the full revenue requirement in the test year associated with owning and operating the eight transformer stations.

The revenue requirement for operating 8 transformer stations in 2020 is \$6,746,095.

	Rebased 2020
Revenue Requirement	6,746,095
Total Revenue	6,746,095
OM&A	1,864,695
Amortization	1,817,100
Deemed interest	1,085,189
Total Costs & Expenses	4,766,984
Income before Income Taxes	1,979,111
PILS	372,087
Net income	1,607,024
Actual Return on Rate Base	
Interest Expense	1,085,189
Net Income	1,607,024
Total Actual Return on Rate Base	2,692,213
Revenue Requirement	6,746,095



1-SEC-5

[Ex. 1, p. 15]

Please provide the numerical data behind Table 1.1.3.3-1.

Year	OPEX	CAPEX	TOTEX
2014	16,632	20,403	37,027
2015	16,154	21,420	37,573
2016	17,109	25,524	42,632
2017	17,962	21,115	39,076
2018	19,418	20,302	39,721
2019	21,367	25,201	46,568
2020	21,878	24,574	46,452



1-SEC-6

[Ex. 1, p. 36]

Please advise which entity employs each of the four senior executives, and describe in detail the allocation of their salaries and other costs between the affiliated companies.

The four senior executives work full-time for KWHI.

Affiliate companies are charged a fee for administrative services performed by KWHI.



1-SEC-7

[Ex. 1, p. 36]

Please provide the full final report on the corporate governance project or, if there was no final report, the reports, memoranda, presentations or other documents that set out the results of the project.

See Appendix 5 – KWHI Governance Project



1-SEC-8

[Ex. 1, p. 37]

Please file a copy of the Shareholders Agreement including any amendments.

See Appendix 4 – KPC Shareholder Agreement



1-SEC-9

[Ex. 1, p. 38]

Please file the most recent long-range strategic plan of KPC.

The most recent strategic plan for KPC is filed as Appendix 8.

The Strategic Plan has been redacted for non-wires businesses that are not relevant to this rate application.



1-SEC-10

[Ex. 1, p. 61]

Please add a row to Table 1.4.5-3 that shows the total amount of capitalized employee costs in each year.

See 4-VECC-22.



1-SEC-11

[Ex. 1, p. 72]

Please provide any internal reports or analyses showing the reductions in operating costs associated with the online forms initiative.

In April 2015, KWHI introduced online forms for consumers moving to, from and within Kitchener and Wilmot Township. The driver of this technology deployment was improved customer service, prompted by consumer feedback through KWHI's bi-annual customer survey.

These forms allow customers to open and close their accounts on their schedule, not just during KWHI's office hours. One (1) in three (3) applications for service are now received after hours and on weekends, allowing customers to interact with KWHI at their convenience and freeing KWHI to process the requests when staff is available, allowing customer service staff to respond more effectively to more difficult and complex customer calls, such as high bill calls. This has helped to improve KWHI's phone performance as evidenced in KWHI's Scorecard.

While KWHI has seen a decrease in the total number of customer contacts through its Call Centre since the introduction of online forms, the intricacy of each interaction has gone up as customers look for more specific information about the information on their bill and their electricity consumption. As a result, KWHI has not seen a marked reduction or increase in operating costs related to the introduction of online forms.



1-SEC-12

[Ex. 1, p. 93]

Please provide the most recent two packages sent to the Board of Directors, including the vice-presidents' reports and any reports by the CEO or any others.

See Appendix 6 – Board Packages.



1-SEC-13

[Ex. 1, p. 104]

Please add a row to Table 1.7.4-1 showing the achieved ROE (calculated on a regulatory basis) for each year.

	2014 Board Approved	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Bridge	2020 Test
OM&A Costs								
Operations and Maintenance Costs	11,280,400	10,116,642	9,377,480	9,498,133	10,624,622	11,810,579	12,576,300	13,161,900
Administration and Property Taxes	7,493,660	6,899,457	7,236,786	8,006,372	7,706,137	8,016,043	8,021,800	9,265,700
Total OM&A And Property Taxes	18,774,060	17,016,099	16,614,266	17,504,505	18,330,759	19,826,622	20,598,100	22,427,600
Number of Customers	91,353	91,143	92,404	94,058	95,757	96,827	97,727	99,147
Number of FTEs	177	180	182	187	190	183	183	183
Customers per FTE	516.12	506.35	507.71	502.98	503.98	529.11	534.03	541.79
OM&A Cost per Customer	205.51	186.70	179.80	186.10	191.43	204.76	210.77	226.21
OM&A per FTE	106,068.14	94,533.89	91,287.17	93,606.98	96,477.68	108,342.20	112,557.92	122,555.19
Achieved ROE	9.36%	10.87%	11.47%	10.18%	9.59%	9.06%		



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1-SEC-14

[Appendix 1-1]

Please provide the report identified as GSC 2017/2018 Report.

See Appendix 3 - 2017/2018 GSC Report.



Exhibit 4 – Operating Costs

4-SEC-15

[Ex. 4, p. 9]

Please explain how the large increase in Totex from 2018 to 2019 and 2020 is consistent with the Total Spend approach.

KWHI's total spend has been reasonably consistent over the past few years when LRT effects are removed. This approach requires that KWHI balance its OPEX and CAPEX needs within its regulatory envelope. Since KWHI has not rebased since 2014, the envelope has not changed very much year over year (customer growth + (inflation less stretch factor)), and KWHI must try to meet its needs, plus the needs of its customers and shareholders, without significantly increased spending.

The rebasing exercise is the time to recognize incremental needs in both CAPEX and OPEX and to make adjustments where necessary.

Once KWHI has a new established envelope following this rebasing, KWHI will endeavour to keep its new spending levels within its Totex envelope for the entire rebasing period 2020 through 2024.



4-SEC-16

[Ex. 4, p. 21]

Please explain the up and down pattern of admin credits annually from 2014 to 2020.

A 12% administration fee is charged on what KWHI invoices external customers. It fluctuates based on the work that KWHI customers request. Large billable projects can have a significant impact in a given year (i.e. LRT, subdivisions). The LRT was an exception as it was billed a 5% administration fee, rather than 12% following negotiations with the Region of Waterloo. The LRT was the main driver of the up and down pattern of administrative credits during the last rebasing period.



4-SEC-17

[Ex. 4, p. 25]

Please provide a detailed breakdown of the incremental costs, and the cost savings, associated with the new HR/Payroll system. If the purposes of the new system is not to generate cost savings, please provide details of the additional functionality or other benefits – other than cost savings – that justify the incremental spending.

KWHI's current in-house legacy system was designed, built, and supported by a System Analyst who retired in 2018. The operation of the in-house system required a specific skill set that was increasingly difficult to find applicants whose skill sets matched the proprietary application. KWHI, in the end, purchased a new HR/Payroll system to replace the legacy system.

KWHI's new software is a cloud-based SaaS (software as a service) solution. This solution provides KWHI with several additional functionalities than the previous program. Of note is the ability to run robust reports with Business Intelligence tools without the assistance of a programmer. Employees will be able to access the system through a portal, either on the web or mobile device and request time off without the use of paper and accordingly will receive notifications of approvals electronically, etc. Employees will also be able to access their T4's and access and print their own pay stubs, when required. Currently KWHI is printing and distributing payslips for everyone. Records of Employment will be processed by the solution as well. Additionally, KWHI will have HR features such as recruiting tools to assist with its searches, on-boarding options and a performance management tool that is all included in the purchase. KWHI's existing payroll system does not offer any of this added functionality.

The new HR/Payroll system will cost approximately \$70,000 annually to support and maintain. KWHI will be discontinuing its existing payroll system (in-house) and a performance management solution which currently cost \$5,000 to support and maintain. Therefore, the incremental cost of the new HR/payroll application is \$65,000 per year.



4-SEC-18

[Ex. 4, p. 27]

What happened to the additional administration credits arising out of the LRT project?

Additional administration credits arising from the LRT project were treated the same as all other administration credits. KWHI records these credits as a reduction to OM&A (2/3 to O&M and 1/3 to Administration). It explains much of the OM&A underspend during the LRT years.



4-SEC-19

[Ex. 4, p. 29]

Please provide the presentation to the Board of Directors, and the approval resolution, for the CIS approval in May 2019.

See Appendix 7 CIS purchase approval.



4-SEC-20

[Ex. 4, p. 31]

Please provide a breakdown of all annual cost savings expected to arise as a result of the new CIS, and a detailed calculation of the annual \$910,000 revenue requirement. Please recalculate the revenue requirement using the new income tax rules in Bill C-97.

The cost of the new CIS is fully incremental to KWHI so therefore no cost savings are expected. Since KWHI's current CIS is home grown, there are currently minimal outside costs. In addition, it requires a lot of day to day intervention from KWHI's IT staff. As a result of IT staff being unavailable, other important systems have been underdeveloped. The new CIS, which will be managed by an outside third party, will free up IT staff to work on the other systems in need of additional development.

Attached in a detailed calculation of the annual \$910,000 incremental revenue requirement. In developing its base case, KWHI estimated what its capital expenditures and OM&A would be in the absence of implementing a new CIS. Small differences exist to what was actually filed for due to different assumptions with regard to amortization and PILs.



	2020 estimated NO CIS		2020 estimated AITO/OCS	
	Revenue at Existing Rates	Rebased 2020	Revenue at Existing Rates	Rebased 2020
Revenue Deficiency		2,497,600		3,409,800
Revenue at existing rates	42,054,323	42,054,323	42,054,323	42,054,323
Other Revenue	3,243,900	3,243,900	3,243,900	3,243,900
Total Revenue	45,298,223	47,795,823	45,298,223	48,708,023
OM&A	22,030,100	22,030,100	22,391,900	22,391,900
Amortization	10,343,500	10,343,500	11,119,416	11,119,416
Deemed interest	5,723,424	5,723,424	5,818,100	5,818,100
Total Costs & Expenses	38,097,024	38,097,024	39,329,416	39,329,416
Income before Income Taxes	7,201,199	9,698,799	5,968,807	9,378,607
PILS	561,266	1,223,130	(140,900)	762,700
Net income	6,639,933	8,475,669	6,109,707	8,615,907
Actual Return on Rate Base				
Interest Expense	5,723,424	5,723,424	5,818,100	5,818,100
Net Income	6,639,933	8,475,650	6,109,707	8,484,077
Total Actual Return on Rate Base	12,363,357	14,199,074	11,927,807	14,302,177
Revenue Requirement		47,795,823		48,708,023
Revenue Requirement change				912,200



4-SEC-21

[Ex. 4, p. 33]

Please provide all of the monthly financial statements and operating variance analysis reports for 2014.

See Appendix 1 and Appendix 2.



4-SEC-22

[Ex. 4, p. 44]

Please provide the study, report or other analysis that resulted in the change in wood pole testing.

KWHI is in the process of organizing its annual pole testing program into a five-year cycle in order to provide better and more timely test data for asset condition assessment purposes, while keeping annual costs consistent on a yearly basis. Additionally, KWHI has decided to include in the testing all poles that are 30-years old and greater. Previously, KWHI only tested poles that were 40-years old or greater but after experiencing several premature failures of wood poles less than 40-years old and reviewing the wood pole testing practices of other LDC's, the decision was made to test poles 30-years old and greater.



4-SEC-23

[Ex. 4, p. 67]

Please advise how roles have been reassessed from 2014 to date, and how many the Applicant has determined are no longer required.

POSITION	ASSESSMENT RESULTS
SUPERINTENDENT - DISTRIBUTION	Previously had two superintendents (2014) and it was determined that one would be sufficient. KWHI added, however; responsibilities to two existing Crew Foreman under the new title of General Foreman.
CDM MARKETING PROGRAM ADVISOR	Did not replace due to the potential for funding of CDM programs in the future (2018).
VP OPERATIONS	Did not hire an additional VP, went down to 3 from 4. (2016). Promoted the VP of Engineering to VP of Engineering & IT (2016).
ENGINEERING MANAGER	Engineering Manager promoted to VP Engineering (2014) and not replaced.
FINANCIAL ANALYST	This position was reassessed and determined that a requirement for a more senior position was needed and therefore, a Regulatory Accountant was hired (2018) and this position discontinued.
DIRECTOR OF CUSTOMER SERVICES	When the Director of Customer Services retired (2014), the position was replaced with the Customer Solutions Supervisor who was promoted to the Manager of Customer Services.
FINANCE CONFIDENTIAL SECRETARY	When the Finance Confidential Secretary retired in 2017, it was determined that there was a greater need for personnel in the Human Resources department. The half-time finance position was discontinued at that time and replaced with a Human Resources clerk.
MANAGER OF INFORMATION TECHNOLOGY	This position was compensated at a Director level and was replaced with a Manager position, Manager of Application Systems and a second Manager of Technology Infrastructure.



4-SEC-24

[Ex. 4, p. 95]

Please recalculate Table 4.10.2.1-4 applying the rules in Bill C-97.

Tax Calculations

Description	T2 S1 line #	2020
Determination of Taxable Income		
Utility Income Before Taxes		8,598,090
Additions to Accounting Income:		
Amortization of tangible assets	104	10,245,488
Non-deductible meals and entertainment expense	121	32,950
Reserves from financial statements - balance at end of year	126	75,800
Prior year tax credits to income	239	85,000
Total Additions		10,439,238
Deductions from Accounting Income:		
Gain on disposal of assets per financial statements	401	15,000
Capital cost allowance from Schedule 8	403	19,000,992
Total Deductions		19,015,992
Regulatory Taxable Income		
		21,337



4-SEC-25

[Ex. 4, p. 96]

Please calculate the impact on revenue requirement of using the smoothed CCA of \$1,300,162 for the CIS as opposed to the expected actual 2020 CCA of \$1,842,500.

Based on the original application, using the \$1.3M smoothed CCA rather than the expected actual for 2020 of \$1.8M increased the revenue requirement for 2020 by \$195,536. Note that the \$1.3M and \$1.8M were not calculated using the new accelerated CCA rules. The change to revenue requirement has been calculated using the same methodology used in the application as filed.

See table below.

Impact on Revenue Requirement CCA Smoothing

Particulars	CCA As Filed	CCA Non-Smoothed	Revenue Variance
Revenue Deficiency from Below	3,472,948	3,381,051	(91,897)
Distribution Revenue	42,054,322	41,950,683	(103,639)
Other Operating Revenue Offsets -	3,243,900	3,243,900	0
Total Revenue	48,771,170	48,575,634	(195,536)
 CIS CCA Deduction	 1,300,162	 1,842,500	 542,338

Note these totals have been updated to actuals in 4-Staff-46 to incorporate the effect of the AIIP for the 2020 through 2024 smoothed.

Appendix 1 - 2014 Financial Statements

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KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at January 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	11,589,327	12,249,132
Accounts receivable	50,515,614	46,957,396
Inventories	4,380,555	3,134,303
Prepaid Expenses	1,026,690	897,009
PILS Receivable	598,877	683,877
Other Assets	147,045	0
Total current assets	<u>68,258,107</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	183,038,695	181,051,618
Regulatory assets	10,238,866	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>268,213,962</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	27,524,701	26,399,693
Customer and construction deposits	6,753,124	4,225,272
Current portion of long-term debt	951,481	951,481
Total current liabilities	<u>35,229,307</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	3,880,369	3,836,508
Post-employment benefits	5,804,782	5,771,482
Regulatory liabilities	18,392,380	18,525,331
Total long-term liabilities	<u>111,058,126</u>	<u>111,113,915</u>
Total liabilities	<u>146,287,432</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	58,237,031	57,329,401
Total shareholders' equity	<u>121,926,530</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>268,213,962</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending January 31, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of January	1 Months to January 31	Month of January	1 Months to January 31	Budget Year End	Unexpended Budget	% Used 8.33%
Sales Revenue							
Distribution Sales	3,548,153	3,548,153	3,322,718	3,322,718	38,763,100	35,214,947	9.15%
Standard Supply Service Administration	24,914	24,914	24,443	24,443	257,700	232,786	9.67%
Energy Sales	15,210,965	15,210,965	13,826,083	13,826,083	161,081,800	145,870,835	9.44%
Wholesale Market Services	1,007,113	1,007,113	690,231	690,231	10,585,600	9,578,487	9.51%
Transmission Services	1,390,679	1,390,679	1,380,550	1,380,550	16,256,500	14,865,821	8.55%
Smart Meter Entity Charge	69,216	69,216	0	0	840,000	770,784	8.24%
Retailer Services	4,313	4,313	4,927	4,927	45,000	40,687	9.58%
	21,255,352	21,255,352	19,248,952	19,248,952	227,829,700	206,574,348	9.33%
Other Revenue							
Investment Income	26,436	26,436	36,091	36,091	225,100	198,664	11.74%
Late Payment Penalties	21,561	21,561	19,602	19,602	249,000	227,439	8.66%
Miscellaneous Income	46,713	46,713	31,238	31,238	1,101,800	1,055,087	4.24%
Deferred Revenue	0	0	7,500	7,500	0	0	0.00%
	94,710	94,710	94,431	94,431	1,575,900	1,481,190	6.01%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	63,909	63,909	(45,206)	(45,206)	1,370,600	1,306,691	4.66%
	63,909	63,909	(45,206)	(45,206)	1,370,600	1,306,691	4.66%
TOTAL REVENUE	21,413,971	21,413,971	19,298,177	19,298,177	230,776,200	209,362,229	9.28%
EXPENSE							
Power Supply Expense							
Energy Purchased	15,210,965	15,210,965	13,826,083	13,826,083	161,081,800	145,870,835	9.44%
Wholesale Market Services	1,007,113	1,007,113	690,231	690,231	10,585,600	9,578,487	9.51%
Transmission Services	1,390,679	1,390,679	1,380,550	1,380,550	16,256,500	14,865,821	8.55%
Smart Meter Entity Charge	69,216	69,216	0	0	840,000	770,784	8.24%
Retailer Services	4,313	4,313	4,927	4,927	45,000	40,687	9.58%
	17,682,285	17,682,285	15,901,791	15,901,791	188,808,900	171,126,615	9.37%
Operating Expense							
Engineering	126,892	126,892	165,219	165,219	850,100	723,208	14.93%
Distribution Operation	431,800	431,800	421,933	421,933	4,681,300	4,249,500	9.22%
Distribution Maintenance	486,599	486,599	419,059	419,059	5,337,100	4,850,501	9.12%
Customer Accounts	268,427	268,427	247,857	247,857	3,831,000	3,562,573	7.01%
Administration	303,476	303,476	376,152	376,152	2,978,900	2,675,424	10.19%
Community Relations	5,501	5,501	7,278	7,278	189,000	183,499	2.91%
Other Expenses / Donations	0	0	0	0	87,300	87,300	0.00%
	1,622,694	1,622,694	1,637,497	1,637,497	17,954,700	16,332,006	9.04%
Amortization, Interest and Taxes							
Amortization Expense	610,755	610,755	530,376	530,376	7,509,900	6,899,145	8.13%
Interest Expense	366,068	366,068	429,220	429,220	4,336,400	3,970,332	8.44%
Provision for Property & Capital Taxes	29,750	29,750	31,400	31,400	357,000	327,250	8.33%
	1,006,573	1,006,573	990,996	990,996	12,203,300	11,196,727	8.25%
Total Utility Operation Expense	20,311,552	20,311,552	18,530,283	18,530,283	218,966,900	198,655,348	9.28%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	109,789	109,789	60,012	60,012	1,370,600	1,260,811	8.01%
	109,789	109,789	60,012	60,012	1,370,600	1,260,811	8.01%
TOTAL EXPENSES	20,421,341	20,421,341	18,590,295	18,590,295	220,337,500	199,916,159	9.27%
INCOME BEFORE PILs	992,630	992,630	707,882	707,882	10,438,700	9,446,070	9.51%
Payments in Lieu of Corporate Income Tax	85,000	85,000	150,000	150,000	924,600	839,600	9.19%
NET INCOME	907,630	907,630	557,882	557,882	9,514,100	8,606,470	9.54%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	January 2014	January 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	907,630	557,882	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(7,523)	-	(82,757)
Amortization	656,343	569,962	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	43,861	100,746	(37,095)
Increase (decrease) in post employment benefits obligation	33,300	32,800	166,166
Net change in non-cash operating working capital	(360,370)	(172,361)	(11,462,167)
Cash provided by operating activities	1,273,241	1,089,029	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(1,264,028)	(1,178,117)	(20,085,547)
Net change in regulatory assets and liabilities	1,685,816	586,984	5,968,723
Proceeds on disposals of capital assets	7,523	-	86,528
Cash (applied to) investing activities	429,311	(591,133)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
(Decrease) in contributed capital & deferred revenue	(2,362,357)	(1,731,074)	4,873,516
Short term debt	-	(7,500)	-
Long term debt	-	-	(912,029)
Dividend paid out	-	-	(3,673,100)
Cash (applied to) provided financing activities	(2,362,357)	(1,738,574)	288,387
Net cash (applied) during the year	(659,805)	(1,240,679)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	11,589,327	18,866,115	12,249,132
Cash and cash equivalents represented by:			
Cash	11,589,327	15,866,115	12,249,132
Cash equivalents	-	3,000,000	-
	11,589,327	18,866,115	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at February 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	10,696,479	12,249,132
Accounts receivable	53,518,431	46,957,396
Inventories	4,459,458	3,134,303
Prepaid Expenses	993,930	897,009
PILS Receivable	513,877	683,877
Other Assets	411,907	0
Total current assets	<u>70,594,081</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	180,984,059	181,051,618
Regulatory assets	8,590,904	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>266,847,339</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	25,332,085	26,399,693
Customer and construction deposits	7,071,342	4,225,272
Current portion of long-term debt	951,481	951,481
Total current liabilities	<u>33,354,909</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	3,792,731	3,836,508
Post-employment benefits	5,838,082	5,771,482
Regulatory liabilities	17,991,396	18,525,331
Total long-term liabilities	<u>110,602,804</u>	<u>111,113,915</u>
Total liabilities	<u>143,957,713</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	59,200,127	57,329,401
Total shareholders' equity	<u>122,889,626</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>266,847,339</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending February 28, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of February	2 Months to February 28	Month of February	2 Months to February 28	Budget Year End	Unexpended Budget	% Used 16.67%
Sales Revenue							
Distribution Sales	3,172,853	6,721,006	3,025,878	6,348,596	38,763,100	32,042,094	17.34%
Standard Supply Service Administration	17,865	42,779	17,542	41,985	257,700	214,921	16.60%
Energy Sales	12,496,242	27,707,207	11,905,637	25,731,720	161,081,800	133,374,593	17.20%
Wholesale Market Services	891,030	1,898,143	791,035	1,481,267	10,585,600	8,687,457	17.93%
Transmission Services	1,342,553	2,733,231	1,279,483	2,660,033	16,256,500	13,523,269	16.81%
Smart Meter Entity Charge	57,588	126,804	0	0	840,000	713,196	15.10%
Retailer Services	3,580	7,893	4,168	9,094	45,000	37,107	17.54%
	17,981,710	39,237,062	17,023,743	36,272,694	227,829,700	188,592,638	17.22%
Other Revenue							
Investment Income	30,087	56,524	35,169	71,261	225,100	168,576	25.11%
Late Payment Penalties	21,615	43,176	19,122	38,724	249,000	205,824	17.34%
Miscellaneous Income	53,838	100,550	25,903	57,141	1,101,800	1,001,250	9.13%
Deferred Revenue	0	0	7,500	15,000	0	0	0.00%
	105,540	200,250	87,695	182,126	1,575,900	1,375,650	12.71%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	116,354	180,263	125,384	80,178	1,370,600	1,190,337	13.15%
	116,354	180,263	125,384	80,178	1,370,600	1,190,337	13.15%
TOTAL REVENUE	18,203,604	39,617,575	17,236,821	36,534,997	230,776,200	191,158,625	17.17%
EXPENSE							
Power Supply Expense							
Energy Purchased	12,496,242	27,707,207	11,905,637	25,731,720	161,081,800	133,374,593	17.20%
Wholesale Market Services	891,030	1,898,143	791,035	1,481,267	10,585,600	8,687,457	17.93%
Transmission Services	1,342,553	2,733,231	1,279,483	2,660,033	16,256,500	13,523,269	16.81%
Smart Meter Entity Charge	57,588	126,804	0	0	840,000	713,196	15.10%
Retailer Services	3,580	7,893	4,168	9,094	45,000	37,107	17.54%
	14,790,992	32,473,277	13,980,322	29,882,113	188,808,900	156,335,623	17.20%
Operating Expense							
Engineering	94,284	221,176	85,133	250,352	850,100	628,924	26.02%
Distribution Operation	301,555	733,355	360,014	781,946	4,681,300	3,947,945	15.67%
Distribution Maintenance	387,360	873,958	305,291	724,350	5,337,100	4,463,142	16.38%
Customer Accounts	240,529	508,955	222,118	469,974	3,831,000	3,322,045	13.29%
Administration	247,465	550,942	253,198	629,350	2,978,900	2,427,958	18.49%
Community Relations	6,272	11,773	4,458	11,736	189,000	177,227	6.23%
Other Expenses / Donations	500	500	47,675	47,675	87,300	86,800	0.57%
	1,277,965	2,900,659	1,277,887	2,915,383	17,954,700	15,054,041	16.16%
Amortization, Interest and Taxes							
Amortization Expense	614,024	1,224,779	531,635	1,062,012	7,509,900	6,285,121	16.31%
Interest Expense	360,186	726,254	434,999	864,219	4,336,400	3,610,146	16.75%
Provision for Property & Capital Taxes	29,750	59,500	31,400	62,800	357,000	297,500	16.67%
	1,003,960	2,010,533	998,034	1,989,030	12,203,300	10,192,767	16.48%
Total Utility Operation Expense	17,072,918	37,384,470	16,256,243	34,786,526	218,966,900	181,582,430	17.07%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	82,590	192,379	64,396	124,408	1,370,600	1,178,221	14.04%
	82,590	192,379	64,396	124,408	1,370,600	1,178,221	14.04%
TOTAL EXPENSES	17,155,508	37,576,849	16,320,639	34,910,934	220,337,500	182,760,651	17.05%
INCOME BEFORE PILs	1,048,096	2,040,726	916,181	1,624,063	10,438,700	8,397,974	19.55%
Payments in Lieu of Corporate Income Tax	85,000	170,000	150,000	300,000	924,600	754,600	18.39%
NET INCOME	963,096	1,870,726	766,181	1,324,063	9,514,100	7,643,374	19.66%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	February 2014	February 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	1,870,726	1,324,063	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(7,523)	-	(82,757)
Amortization	1,315,501	1,141,231	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	(43,776)	326,008	(37,095)
Increase (decrease) in post employment benefits obligation	66,600	65,600	166,166
Net change in non-cash operating working capital	(5,463,590)	(4,047,898)	(11,462,167)
Cash provided by operating activities	(2,262,063)	(1,190,995)	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(1,951,822)	(2,356,099)	(20,085,547)
Net change in regulatory assets and liabilities	2,932,793	277,127	5,968,723
Proceeds on disposals of capital assets	7,523	-	86,528
Cash (applied to) investing activities	988,494	(2,078,972)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
(Decrease) in contributed capital & deferred revenue	(279,084)	(1,449,078)	4,873,516
Short term debt	-	-	-
Long term debt	-	-	(912,029)
Dividend paid out	-	-	(3,673,100)
Cash (applied to) provided financing activities	(279,084)	(1,449,078)	288,387
Net cash (applied) during the year	(1,552,653)	(4,719,045)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	10,696,479	15,387,750	12,249,132
Cash and cash equivalents represented by:			
Cash	10,696,479	12,387,750	12,249,132
Cash equivalents	-	3,000,000	-
	10,696,479	15,387,750	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at March 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	17,439,162	12,249,132
Accounts receivable	47,788,752	46,957,396
Inventories	4,112,166	3,134,303
Prepaid Expenses	896,107	897,009
PILS Receivable	428,877	683,877
Other Assets	139,819	0
Total current assets	<u>70,804,883</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	181,338,166	181,051,618
Regulatory assets	9,071,752	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>267,893,095</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	25,393,931	26,399,693
Customer and construction deposits	7,733,132	4,225,272
Current portion of long-term debt	951,481	951,481
Total current liabilities	<u>34,078,545</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	3,781,082	3,836,508
Post-employment benefits	5,871,382	5,771,482
Regulatory liabilities	17,050,025	18,525,331
Total long-term liabilities	<u>109,683,084</u>	<u>111,113,915</u>
Total liabilities	<u>143,761,629</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	60,441,967	57,329,401
Total shareholders' equity	<u>124,131,466</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>267,893,095</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending March 31, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of March	3 Months to March 31	Month of March	3 Months to March 31	Budget Year End	Unexpended Budget	% Used 25.00%
Sales Revenue							
Distribution Sales	3,677,332	10,398,338	3,350,076	9,698,672	38,763,100	28,364,762	26.83%
Standard Supply Service Administration	25,053	67,832	24,524	66,509	257,700	189,868	26.32%
Energy Sales	15,304,729	43,011,935	13,007,926	38,739,646	161,081,800	118,069,865	26.70%
Wholesale Market Services	943,413	2,841,555	880,784	2,362,051	10,585,600	7,744,045	26.84%
Transmission Services	1,390,932	4,124,164	1,232,101	3,892,133	16,256,500	12,132,336	25.37%
Smart Meter Entity Charge	78,392	205,196	0	0	840,000	634,804	24.43%
Retailer Services	4,115	12,008	4,823	13,917	45,000	32,992	26.68%
	21,423,965	60,661,027	18,500,234	54,772,929	227,829,700	167,168,673	26.63%
Other Revenue							
Investment Income	25,106	81,630	34,300	105,560	225,100	143,470	36.26%
Late Payment Penalties	20,918	64,095	18,949	57,672	249,000	184,905	25.74%
Miscellaneous Income	25,352	125,903	40,997	98,139	1,101,800	975,897	11.43%
Deferred Revenue	0	0	7,500	22,500	0	0	0.00%
	71,377	271,627	101,746	283,871	1,575,900	1,304,273	17.24%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	615,752	796,015	0	80,178	1,370,600	574,585	58.08%
	615,752	796,015	0	80,178	1,370,600	574,585	58.08%
TOTAL REVENUE	22,111,094	61,728,669	18,601,980	55,136,977	230,776,200	169,047,531	26.75%
EXPENSE							
Power Supply Expense							
Energy Purchased	15,304,729	43,011,935	13,007,926	38,739,646	161,081,800	118,069,865	26.70%
Wholesale Market Services	943,413	2,841,555	880,784	2,362,051	10,585,600	7,744,045	26.84%
Transmission Services	1,390,932	4,124,164	1,232,101	3,892,133	16,256,500	12,132,336	25.37%
Smart Meter Entity Charge	78,392	205,196	0	0	840,000	634,804	24.43%
Retailer Services	4,115	12,008	4,823	13,917	45,000	32,992	26.68%
	17,721,580	50,194,858	15,125,634	45,007,747	188,808,900	138,614,042	26.59%
Operating Expense							
Engineering	131,041	352,216	77,630	327,982	850,100	497,884	41.43%
Distribution Operation	336,824	1,070,179	380,795	1,162,742	4,681,300	3,611,122	22.86%
Distribution Maintenance	422,434	1,296,392	332,623	1,056,973	5,337,100	4,040,708	24.29%
Customer Accounts	266,250	775,206	269,975	739,949	3,831,000	3,055,794	20.24%
Administration	256,919	807,860	256,278	885,628	2,978,900	2,171,040	27.12%
Community Relations	53,177	64,950	54,776	66,512	189,000	124,050	34.37%
Other Expenses / Donations	100	600	(46,925)	750	87,300	86,700	0.69%
	1,466,744	4,367,403	1,325,152	4,240,535	17,954,700	13,587,297	24.32%
Amortization, Interest and Taxes							
Amortization Expense	614,217	1,838,996	529,592	1,591,604	7,509,900	5,670,904	24.49%
Interest Expense	367,130	1,093,384	430,938	1,295,157	4,336,400	3,243,016	25.21%
Provision for Property & Capital Taxes	29,750	89,250	31,400	94,200	357,000	267,750	25.00%
	1,011,097	3,021,631	991,930	2,980,960	12,203,300	9,181,669	24.76%
Total Utility Operation Expense	20,199,422	57,583,892	17,442,716	52,229,243	218,966,900	161,383,008	26.30%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	584,831	777,211	57,097	181,504	1,370,600	593,389	56.71%
	584,831	777,211	57,097	181,504	1,370,600	593,389	56.71%
TOTAL EXPENSES	20,784,254	58,361,103	17,499,813	52,410,747	220,337,500	161,976,397	26.49%
INCOME BEFORE PILs	1,326,841	3,367,567	1,102,167	2,726,230	10,438,700	7,071,133	32.26%
Payments in Lieu of Corporate Income Tax	85,000	255,000	150,000	450,000	924,600	669,600	27.58%
NET INCOME	1,241,841	3,112,567	952,167	2,276,230	9,514,100	6,401,533	32.72%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	March 2014	March 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	3,112,567	2,276,230	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(10,323)	-	(82,757)
Amortization	1,974,664	1,710,457	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	(55,425)	298,746	(37,095)
Increase (decrease) in post employment benefits obligation	99,900	98,400	166,166
Net change in non-cash operating working capital	1,791,928	(5,101,916)	(11,462,167)
Cash provided by operating activities	6,913,310	(718,082)	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(3,099,792)	(4,565,592)	(20,085,547)
Net change in regulatory assets and liabilities	1,510,574	682,145	5,968,723
Proceeds on disposals of capital assets	10,323	-	86,528
Cash (applied to) investing activities	(1,578,895)	(3,883,447)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
(Decrease) in contributed capital & deferred revenue	(144,385)	(1,268,525)	4,873,516
Short term debt	-	-	-
Long term debt	-	-	(912,029)
Dividend paid out	-	-	(3,673,100)
Cash (applied to) provided financing activities	(144,385)	(1,268,525)	288,387
Net cash (applied) during the year	5,190,030	(5,870,055)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	17,439,162	14,236,739	12,249,132
Cash and cash equivalents represented by:			
Cash	17,439,162	11,236,739	12,249,132
Cash equivalents	-	3,000,000	-
	17,439,162	14,236,739	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at April 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	16,989,606	12,249,132
Accounts receivable	44,070,973	46,957,396
Inventories	4,083,724	3,134,303
Prepaid Expenses	917,177	897,009
PILS Receivable	343,877	683,877
Other Assets	80,968	0
Total current assets	<u>66,486,324</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	181,128,115	181,051,618
Regulatory assets	9,879,318	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>264,172,051</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	23,552,857	26,399,693
Customer and construction deposits	7,808,945	4,225,272
Current portion of long-term debt	951,481	951,481
Total current liabilities	<u>32,313,283</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	3,836,207	3,836,508
Post-employment benefits	5,904,682	5,771,482
Regulatory liabilities	17,294,402	18,525,331
Total long-term liabilities	<u>110,015,886</u>	<u>111,113,915</u>
Total liabilities	<u>142,329,169</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	58,153,384	57,329,401
Total shareholders' equity	<u>121,842,883</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>264,172,051</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending April 30, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of	4 Months to	Month of	4 Months to	Budget	Unexpended	% Used
	April	April 30	April	April 30	Year End	Budget	33.33%
Sales Revenue							
Distribution Sales	3,266,154	13,664,492	3,056,076	12,754,748	38,763,100	25,098,608	35.25%
Standard Supply Service Administration	17,911	85,743	17,618	84,127	257,700	171,957	33.27%
Energy Sales	10,243,604	53,255,540	11,371,666	50,111,312	161,081,800	107,826,260	33.06%
Wholesale Market Services	817,303	3,658,858	625,373	2,987,424	10,585,600	6,926,742	34.56%
Transmission Services	1,088,750	5,212,914	1,228,920	5,121,053	16,256,500	11,043,586	32.07%
Smart Meter Entity Charge	71,216	276,412	0	0	840,000	563,588	32.91%
Retailer Services	3,494	15,502	4,003	17,920	45,000	29,498	34.45%
	15,508,434	76,169,461	16,303,656	71,076,584	227,829,700	151,660,239	33.43%
Other Revenue							
Investment Income	35,272	116,902	34,134	139,694	225,100	108,198	51.93%
Late Payment Penalties	26,873	90,968	23,522	81,195	249,000	158,032	36.53%
Miscellaneous Income	560,352	686,255	555,111	653,249	1,101,800	415,545	62.28%
Deferred Revenue	0	0	7,500	30,000	0	0	0.00%
	622,498	894,125	620,267	904,138	1,575,900	681,775	56.74%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	118,614	914,629	168,163	248,341	1,370,600	455,971	66.73%
	118,614	914,629	168,163	248,341	1,370,600	455,971	66.73%
TOTAL REVENUE	16,249,545	77,978,214	17,092,086	72,229,063	230,776,200	152,797,986	33.79%
EXPENSE							
Power Supply Expense							
Energy Purchased	10,243,604	53,255,540	11,371,666	50,111,312	161,081,800	107,826,260	33.06%
Wholesale Market Services	817,303	3,658,858	625,373	2,987,424	10,585,600	6,926,742	34.56%
Transmission Services	1,088,750	5,212,914	1,228,920	5,121,053	16,256,500	11,043,586	32.07%
Smart Meter Entity Charge	71,216	276,412	0	0	840,000	563,588	32.91%
Retailer Services	3,494	15,502	4,003	17,920	45,000	29,498	34.45%
	12,224,369	62,419,226	13,229,962	58,237,710	188,808,900	126,389,674	33.06%
Operating Expense							
Engineering	64,688	416,904	10,197	338,178	850,100	433,196	49.04%
Distribution Operation	333,636	1,403,815	429,181	1,591,923	4,681,300	3,277,485	29.99%
Distribution Maintenance	741,173	2,037,565	519,594	1,576,568	5,337,100	3,299,535	38.18%
Customer Accounts	294,388	1,069,594	262,827	1,002,776	3,831,000	2,761,406	27.92%
Administration	238,834	1,046,695	247,156	1,132,784	2,978,900	1,932,205	35.14%
Community Relations	86,029	150,979	84,401	150,913	189,000	38,021	79.88%
Other Expenses / Donations	0	600	600	1,350	87,300	86,700	0.69%
	1,758,749	6,126,152	1,553,957	5,794,492	17,954,700	11,828,548	34.12%
Amortization, Interest and Taxes							
Amortization Expense	613,764	2,452,760	532,497	2,124,101	7,509,900	5,057,140	32.66%
Interest Expense	364,290	1,457,674	429,535	1,724,691	4,336,400	2,878,726	33.61%
Provision for Property & Capital Taxes	29,750	119,000	31,400	125,600	357,000	238,000	33.33%
	1,007,804	4,029,434	993,432	3,974,392	12,203,300	8,173,866	33.02%
Total Utility Operation Expense	14,990,921	72,574,813	15,777,351	68,006,594	218,966,900	146,392,087	33.14%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	133,207.69	910,418.55	70,438	251,943	1,370,600	460,181	66.42%
	133,208	910,419	70,438	251,943	1,370,600	460,181	66.42%
TOTAL EXPENSES	15,124,129	73,485,232	15,847,789	68,258,536	220,337,500	146,852,268	33.35%
INCOME BEFORE PILs	1,125,416	4,492,983	1,244,296	3,970,527	10,438,700	5,945,717	43.04%
Payments in Lieu of Corporate Income Tax	85,000	340,000	150,000	600,000	924,600	584,600	36.77%
NET INCOME	1,040,416	4,152,983	1,094,296	3,370,527	9,514,100	5,361,117	43.65%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	April 2014	April 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	4,152,983	3,370,527	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(10,323)	(15,256)	(82,757)
Amortization	2,633,375	2,282,588	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	(301)	109,161	(37,095)
Increase (decrease) in post employment benefits obligation	133,200	131,200	166,166
Net change in non-cash operating working capital	566,669	348,460	(11,462,167)
Cash provided by operating activities	7,475,603	6,226,680	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(4,122,814)	(6,931,099)	(20,085,547)
Net change in regulatory assets and liabilities	947,385	(589,978)	5,968,723
Proceeds on disposals of capital assets	10,323	15,256	86,528
Cash (applied to) investing activities	(3,165,106)	(7,505,821)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
(Decrease) in contributed capital & deferred revenue	429,977	(1,211,562)	4,873,516
Long term debt	-	-	(912,029)
Dividend paid out	-	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	429,977	(4,884,662)	288,387
Net cash (applied) during the year	4,740,474	(6,163,803)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	16,989,606	13,942,991	12,249,132
Cash and cash equivalents represented by:			
Cash	16,989,606	10,942,991	12,249,132
Cash equivalents	-	3,000,000	-
	16,989,606	13,942,991	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at May 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	21,217,660	12,249,132
Accounts receivable	40,285,401	46,957,396
Inventories	3,999,471	3,134,303
Prepaid Expenses	795,790	897,009
PILS Receivable	258,877	683,877
Other Assets	99,710	0
Total current assets	<u>66,656,909</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	181,180,296	181,051,618
Regulatory assets	6,009,098	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>260,524,597</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	26,440,219	26,399,693
Customer and construction deposits	7,930,090	4,225,272
Current portion of long-term debt	480,777	951,481
Total current liabilities	<u>34,851,086</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	3,831,244	3,836,508
Post-employment benefits	5,937,982	5,771,482
Regulatory liabilities	10,518,633	18,525,331
Total long-term liabilities	<u>103,268,455</u>	<u>111,113,915</u>
Total liabilities	<u>138,119,540</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	58,715,557	57,329,401
Total shareholders' equity	<u>122,405,056</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>260,524,597</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending May 31, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of	5 Months to	Month of	5 Months to	Budget	Unexpended	% Used
	May	May 31	May	May 31	Year End	Budget	41.67%
Sales Revenue							
Distribution Sales	3,001,852	16,666,344	3,207,703	15,962,451	38,763,100	22,096,756	43.00%
Standard Supply Service Administration	25,160	110,903	24,725	108,852	257,700	146,798	43.04%
Energy Sales	14,976,668	68,232,208	11,991,785	62,103,097	161,081,800	92,849,592	42.36%
Wholesale Market Services	783,086	4,441,945	743,141	3,730,565	10,585,600	6,143,655	41.96%
Transmission Services	1,594,771	6,807,685	1,196,095	6,317,148	16,256,500	9,448,815	41.88%
Smart Meter Entity Charge	70,619	347,031	669	669	840,000	492,969	41.31%
Retailer Services	4,328	19,830	4,741	22,662	45,000	25,170	44.07%
	20,456,484	96,625,946	17,168,858	88,245,443	227,829,700	131,203,754	42.41%
Other Revenue							
Investment Income	26,853	143,755	18,315	158,009	225,100	81,345	63.86%
Late Payment Penalties	20,028	110,996	19,973	101,168	249,000	138,004	44.58%
Miscellaneous Income	34,584	720,839	63,147	716,396	1,101,800	380,961	65.42%
Deferred Revenue	0	0	(30,000)	0	0	0	0.00%
	81,464	975,589	71,435	975,573	1,575,900	600,311	61.91%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	188,894	1,103,522	133,491	381,832	1,370,600	267,078	80.51%
	188,894	1,103,522	133,491	381,832	1,370,600	267,078	80.51%
TOTAL REVENUE	20,726,842	98,705,057	17,373,784	89,602,847	230,776,200	132,071,143	42.77%
EXPENSE							
Power Supply Expense							
Energy Purchased	14,976,668	68,232,208	11,991,785	62,103,097	161,081,800	92,849,592	42.36%
Wholesale Market Services	783,086	4,441,945	743,141	3,730,565	10,585,600	6,143,655	41.96%
Transmission Services	1,594,771	6,807,685	1,196,095	6,317,148	16,256,500	9,448,815	41.88%
Smart Meter Entity Charge	70,619	347,031	669	669	840,000	492,969	41.31%
Retailer Services	4,328	19,830	4,741	22,662	45,000	25,170	44.07%
	17,429,473	79,848,699	13,936,430	72,174,140	188,808,900	108,960,201	42.29%
Operating Expense							
Engineering	55,792	472,696	42,747	380,926	850,100	377,404	55.60%
Distribution Operation	368,931	1,772,746	393,076	1,984,999	4,681,300	2,908,554	37.87%
Distribution Maintenance	466,127	2,503,693	417,966	1,994,533	5,337,100	2,833,407	46.91%
Customer Accounts	337,561	1,407,154	258,000	1,260,776	3,831,000	2,423,846	36.73%
Administration	227,744	1,274,439	223,371	1,356,155	2,978,900	1,704,461	42.78%
Community Relations	4,069	155,049	3,741	154,654	189,000	33,951	82.04%
Other Expenses / Donations	100	700	100	1,450	87,300	86,600	0.80%
	1,460,325	7,586,477	1,339,000	7,133,492	17,954,700	10,368,223	42.25%
Amortization, Interest and Taxes							
Amortization Expense	614,060	3,066,821	530,258	2,654,359	7,509,900	4,443,079	40.84%
Interest Expense	368,686	1,826,360	432,469	2,157,160	4,336,400	2,510,040	42.12%
Provision for Property & Capital Taxes	29,750	148,750	31,400	157,000	357,000	208,250	41.67%
	1,012,497	5,041,931	994,127	4,968,519	12,203,300	7,161,369	41.32%
Total Utility Operation Expense	19,902,294	92,477,107	16,269,557	84,276,151	218,966,900	126,489,793	42.23%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	177,374.34	1,087,792.89	132,551	384,493	1,370,600	282,807	79.37%
	177,374	1,087,793	132,551	384,493	1,370,600	282,807	79.37%
TOTAL EXPENSES	20,079,669	93,564,900	16,402,108	84,660,644	220,337,500	126,772,600	42.46%
INCOME BEFORE PILs	647,174	5,140,157	971,676	4,942,203	10,438,700	5,298,543	49.24%
Payments in Lieu of Corporate Income Tax	85,000	425,000	83,303	683,303	924,600	499,600	45.97%
NET INCOME	562,174	4,715,157	888,373	4,258,900	9,514,100	4,798,943	49.56%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	May 2014	May 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	4,715,157	4,258,900	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(10,323)	(15,256)	(82,757)
Amortization	3,292,719	2,890,257	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	(5,263)	66,186	(37,095)
Increase (decrease) in post employment benefits obligation	166,500	164,000	166,166
Net change in non-cash operating working capital	10,961,645	2,278,635	(11,462,167)
Cash provided by operating activities	19,120,433	9,642,722	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(5,254,818)	(8,636,160)	(20,085,547)
Net change in regulatory assets and liabilities	(1,958,163)	(219,640)	5,968,723
Proceeds on disposals of capital assets	10,323	15,256	86,528
Cash (applied to) investing activities	(7,202,657)	(8,840,544)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
(Decrease) in contributed capital & deferred revenue	850,456	(1,166,383)	4,873,516
Short term debt	(470,704)	(451,187)	-
Long term debt	-	-	(912,029)
Dividend paid out	(3,329,000)	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	(2,949,248)	(5,290,670)	288,387
Net cash (applied) during the year	8,968,528	(4,488,491)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	21,217,660	15,618,303	12,249,132
Cash and cash equivalents represented by:			
Cash	21,217,660	15,618,303	12,249,132
Cash equivalents	-	-	-
	21,217,660	15,618,303	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at June 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	14,837,334	12,249,132
Accounts receivable	45,961,848	46,957,396
Inventories	3,974,416	3,134,303
Prepaid Expenses	816,454	897,009
PILS Receivable	683,877	683,877
Other Assets	595,204	0
Total current assets	<u>66,869,132</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	182,118,457	181,051,618
Regulatory assets	4,493,932	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>260,159,815</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	24,505,330	26,399,693
Customer and construction deposits	8,216,826	4,225,272
Current portion of long-term debt	480,777	951,481
Total current liabilities	<u>33,202,934</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	4,126,877	3,836,508
Post-employment benefits	5,971,282	5,771,482
Regulatory liabilities	10,554,093	18,525,331
Total long-term liabilities	<u>103,632,846</u>	<u>111,113,915</u>
Total liabilities	<u>136,835,780</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	59,634,536	57,329,401
Total shareholders' equity	<u>123,324,035</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>260,159,815</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending June 30, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of	6 Months to	Month of	6 Months to	Budget	Unexpended	% Used
	June	June 30	June	June 30	Year End	Budget	50.00%
Sales Revenue							
Distribution Sales	3,076,293	19,742,637	3,346,253	19,308,704	38,763,100	19,020,463	50.93%
Standard Supply Service Administration	18,048	128,951	17,623	126,475	257,700	128,750	50.04%
Energy Sales	14,048,579	82,280,787	12,432,851	74,535,948	161,081,800	78,801,013	51.08%
Wholesale Market Services	861,409	5,303,354	720,969	4,451,534	10,585,600	5,282,246	50.10%
Transmission Services	1,544,557	8,352,242	1,368,279	7,685,427	16,256,500	7,904,258	51.38%
Smart Meter Entity Charge	69,406	416,437	138,453	139,121	840,000	423,563	49.58%
Retailer Services	3,448	23,278	3,904	26,565	45,000	21,722	51.73%
	19,621,741	116,247,686	18,028,331	106,273,774	227,829,700	111,582,014	51.02%
Other Revenue							
Investment Income	33,762	177,516	31,702	189,711	225,100	47,584	78.86%
Late Payment Penalties	25,162	136,158	21,139	122,306	249,000	112,842	54.68%
Miscellaneous Income	42,127	762,965	47,618	764,014	1,101,800	338,835	69.25%
	101,050	1,076,639	100,459	1,076,032	1,575,900	499,261	68.32%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	94,679	1,198,201	92,099	473,930	1,370,600	172,399	87.42%
	94,679	1,198,201	92,099	473,930	1,370,600	172,399	87.42%
TOTAL REVENUE	19,817,470	118,522,527	18,220,890	107,823,737	230,776,200	112,253,673	51.36%
EXPENSE							
Power Supply Expense							
Energy Purchased	14,048,579	82,280,787	12,432,851	74,535,948	161,081,800	78,801,013	51.08%
Wholesale Market Services	861,409	5,303,354	720,969	4,451,534	10,585,600	5,282,246	50.10%
Transmission Services	1,544,557	8,352,242	1,368,279	7,685,427	16,256,500	7,904,258	51.38%
Smart Meter Entity Charge	69,406	416,438	138,453	139,121	840,000	423,563	49.58%
Retailer Services	3,448	23,278	3,904	26,565	45,000	21,722	51.73%
	16,527,400	96,376,099	14,664,455	86,838,595	188,808,900	92,432,801	51.04%
Operating Expense							
Engineering	(26,045)	446,651	(8,520)	372,406	850,100	403,449	52.54%
Distribution Operation	359,087	2,131,833	397,561	2,382,560	4,681,300	2,549,467	45.54%
Distribution Maintenance	348,025	2,851,717	457,507	2,452,040	5,337,100	2,485,383	53.43%
Customer Accounts	237,960	1,645,114	295,058	1,555,834	3,831,000	2,185,886	42.94%
Administration	269,130	1,543,569	241,067	1,597,221	2,978,900	1,435,331	51.82%
Community Relations	11,491	166,540	50,654	205,308	189,000	22,460	88.12%
Other Expenses / Donations	184	884	200	1,650	87,300	86,416	1.01%
	1,199,831	8,786,308	1,433,527	8,567,019	17,954,700	9,168,392	48.94%
Amortization, Interest and Taxes							
Amortization Expense	614,168	3,680,989	531,675	3,186,035	7,509,900	3,828,911	49.02%
Interest Expense	351,620	2,177,981	430,649	2,587,809	4,336,400	2,158,419	50.23%
Provision for Property & Capital Taxes	29,750	178,500	31,400	188,400	357,000	178,500	50.00%
	995,539	6,037,470	993,725	5,962,244	12,203,300	6,165,830	49.47%
Total Utility Operation Expense	18,722,769	111,199,877	17,091,707	101,367,858	218,966,900	107,767,023	50.78%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	90,722.11	1,178,515.00	147,168	531,661	1,370,600	192,085	85.99%
	90,722	1,178,515	147,168	531,661	1,370,600	192,085	85.99%
TOTAL EXPENSES	18,813,491	112,378,392	17,238,874	101,899,519	220,337,500	107,959,108	51.00%
INCOME BEFORE PILs	1,003,979	6,144,135	982,015	5,924,218	10,438,700	4,294,565	58.86%
Payments in Lieu of Corporate Income Tax	85,000	510,000	150,000	833,303	924,600	414,600	55.16%
NET INCOME	918,979	5,634,135	832,015	5,090,915	9,514,100	3,879,965	59.22%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	June 2014	June 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	5,634,135	5,090,915	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(10,323)	(15,256)	(82,757)
Amortization	3,952,170	3,424,786	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	290,369	107,243	(37,095)
Increase (decrease) in post employment benefits obligation	199,800	196,800	166,166
Net change in non-cash operating working capital	2,720,944	(135,698)	(11,462,167)
Cash provided by operating activities	12,787,095	8,668,790	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(7,215,296)	(10,720,554)	(20,085,547)
Net change in regulatory assets and liabilities	(407,538)	(1,091,263)	5,968,723
Proceeds on disposals of capital assets	10,323	15,256	86,528
Cash (applied to) investing activities	(7,612,510)	(11,796,561)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
Increase (decrease) in contributed capital & deferred revenue	1,213,322	(791,776)	4,873,516
Short term debt	(470,704)	(451,187)	-
Long term debt	-	-	(912,029)
Dividend paid out	(3,329,000)	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	(2,586,383)	(4,916,063)	288,387
Net cash (applied) during the year	2,588,202	(8,043,834)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,795	20,106,794
Cash and cash equivalents, end of period	14,837,334	12,062,961	12,249,132
Cash and cash equivalents represented by:			
Cash	14,837,334	12,062,961	12,249,132
Cash equivalents	-	-	-
	14,837,334	12,062,961	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at July 2014	As At December 2013
ASSETS		
Current assets		
Cash and cash equivalents	15,379,534	12,249,132
Accounts receivable	44,863,417	46,957,396
Inventories	3,819,820	3,134,303
Prepaid Expenses	794,936	897,009
PILS Receivable	683,877	683,877
Other Assets	380,851	0
Total current assets	65,922,434	63,921,717
Capital assets, net of accumulated amortization	182,742,020	181,051,618
Regulatory assets	5,019,129	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	260,361,877	263,709,261
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	25,459,435	26,399,693
Customer and construction deposits	8,378,518	4,225,272
Current portion of long-term debt	480,777	951,481
Total current liabilities	34,318,730	31,576,446
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	4,191,399	3,836,508
Post-employment benefits	6,004,582	5,771,482
Regulatory liabilities	9,664,095	18,525,331
Total long-term liabilities	102,840,671	111,113,915
Total liabilities	137,159,401	142,690,361
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	59,512,977	57,329,401
Total shareholders' equity	123,202,476	121,018,900
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	260,361,877	263,709,261

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending July 31, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of	7 Months to	Month of	7 Months to	Budget	Unexpended	% Used
	July	July 31	July	July 31	Year End	Budget	58.33%
Sales Revenue							
Distribution Sales	2,259,259	22,001,896	3,662,102	22,970,806	38,763,100	16,761,204	56.76%
Standard Supply Service Administration	25,189	154,139	24,700	151,175	257,700	103,561	59.81%
Energy Sales	13,672,458	95,953,245	14,744,018	89,279,965	161,081,800	65,128,555	59.57%
Wholesale Market Services	904,823	6,208,177	900,372	5,351,906	10,585,600	4,377,423	58.65%
Transmission Services	1,129,851	9,482,093	1,743,055	9,428,482	16,256,500	6,774,407	58.33%
Smart Meter Entity Charge	69,406	485,844	69,044	208,166	840,000	354,156	57.84%
Retailer Services	4,028	27,305	4,554	31,119	45,000	17,695	60.68%
	18,065,013	134,312,700	21,147,846	127,421,620	227,829,700	93,517,000	58.95%
Other Revenue							
Investment Income	25,200	202,717	38,517	228,228	225,100	22,383	90.06%
Late Payment Penalties	20,531	156,689	18,445	140,752	249,000	92,311	62.93%
Miscellaneous Income	86,058	849,024	36,098	800,112	1,101,800	252,776	77.06%
	131,790	1,208,429	93,060	1,169,092	1,575,900	367,471	76.68%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	136,971	1,335,172	34,383	508,314	1,370,600	35,428	97.42%
	136,971	1,335,172	34,383	508,314	1,370,600	35,428	97.42%
TOTAL REVENUE	18,333,774	136,856,301	21,275,289	129,099,025	230,776,200	93,919,899	59.30%
EXPENSE							
Power Supply Expense							
Energy Purchased	13,672,458	95,953,245	14,744,018	89,279,965	161,081,800	65,128,555	59.57%
Wholesale Market Services	904,823	6,208,177	900,372	5,351,906	10,585,600	4,377,423	58.65%
Transmission Services	1,129,851	9,482,093	1,743,055	9,428,482	16,256,500	6,774,407	58.33%
Smart Meter Entity Charge	69,406	485,844	69,044	208,166	840,000	354,156	57.84%
Retailer Services	4,028	27,305	4,554	31,119	45,000	17,695	60.68%
	15,780,566	112,156,665	17,461,044	104,299,639	188,808,900	76,652,235	59.40%
Operating Expense							
Engineering	20,987	467,638	(30,717)	341,689	850,100	382,462	55.01%
Distribution Operation	365,854	2,497,687	368,330	2,750,890	4,681,300	2,183,613	53.35%
Distribution Maintenance	540,871	3,392,589	779,871	3,231,912	5,337,100	1,944,511	63.57%
Customer Accounts	291,969	1,937,083	262,898	1,818,732	3,831,000	1,893,917	50.56%
Administration	236,789	1,780,359	202,478	1,799,699	2,978,900	1,198,541	59.77%
Community Relations	6,246	172,786	3,426	208,733	189,000	16,214	91.42%
Other Expenses / Donations	16	900	0	1,650	87,300	86,400	1.03%
	1,462,733	10,249,041	1,586,286	10,153,304	17,954,700	7,705,659	57.08%
Amortization, Interest and Taxes							
Amortization Expense	614,655	4,295,644	531,986	3,718,021	7,509,900	3,214,256	57.20%
Interest Expense	353,535	2,531,516	427,767	3,015,576	4,336,400	1,804,884	58.38%
Provision for Property & Capital Taxes	29,750	208,250	31,400	219,800	357,000	148,750	58.33%
	997,940	7,035,409	991,153	6,953,397	12,203,300	5,167,891	57.65%
Total Utility Operation Expense	18,241,239	129,441,116	20,038,483	121,406,340	218,966,900	89,525,784	59.11%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	129,094	1,307,609	57,726	589,387	1,370,600	62,991	95.40%
	129,094	1,307,609	57,726	589,387	1,370,600	62,991	95.40%
TOTAL EXPENSES	18,370,333	130,748,725	20,096,208	121,995,727	220,337,500	89,588,775	59.34%
INCOME BEFORE PILs	(36,559)	6,107,576	1,179,080	7,103,298	10,438,700	4,331,124	58.51%
Payments in Lieu of Corporate Income Tax	85,000	595,000	150,000	983,303	924,600	329,600	64.35%
NET INCOME	(121,559)	5,512,576	1,029,080	6,119,995	9,514,100	4,001,524	57.94%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	July 2014	July 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	5,512,576	6,119,995	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(10,852)	(11,485)	(82,757)
Amortization	4,612,108	3,997,125	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	354,891	136,973	(37,095)
Increase (decrease) in post employment benefits obligation	233,100	229,600	166,166
Net change in non-cash operating working capital	5,325,637	3,430,344	(11,462,167)
Cash provided by operating activities	16,027,460	13,902,552	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(9,014,233)	(12,802,448)	(20,085,547)
Net change in regulatory assets and liabilities	(1,822,732)	(1,995,531)	5,968,723
Proceeds on disposals of capital assets	10,852	15,256	86,528
Cash (applied to) investing activities	(10,826,112)	(14,782,723)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
Increase (decrease) in contributed capital & deferred revenue	1,728,758	(379,372)	4,873,516
Short term debt	(470,704)	(451,187)	-
Long term debt	-	-	(912,029)
Dividend paid out	(3,329,000)	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	(2,070,946)	(4,503,659)	288,387
Net cash (applied) during the year	3,130,402	(5,383,828)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	15,379,534	14,722,966	12,249,132
Cash and cash equivalents represented by:			
Cash	15,379,534	14,722,966	12,249,132
Cash equivalents	-	-	-
	15,379,534	14,722,966	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at August 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	13,160,838	12,249,132
Accounts receivable	47,612,702	46,957,396
Inventories	3,937,923	3,134,303
Prepaid Expenses	701,319	897,009
PILS Receivable	683,877	683,877
Other Assets	278,052	0
Total current assets	<u>66,374,710</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	183,579,850	181,051,618
Regulatory assets	4,097,132	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>260,729,987</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	25,645,492	26,399,693
Customer and construction deposits	8,251,846	4,225,272
Current portion of long-term debt	480,777	951,481
Total current liabilities	<u>34,378,115</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	4,086,820	3,836,508
Post-employment benefits	6,037,882	5,771,482
Regulatory liabilities	9,221,207	18,525,331
Total long-term liabilities	<u>102,326,504</u>	<u>111,113,915</u>
Total liabilities	<u>136,704,619</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	60,335,868	57,329,401
Total shareholders' equity	<u>124,025,367</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>260,729,987</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending August 31, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of August	8 Months to August 31	Month of August	8 Months to August 31	Budget Year End	Unexpended Budget	% Used 66.67%
Sales Revenue							
Distribution Sales	3,177,552	25,179,448	3,496,196	26,467,002	38,763,100	13,583,652	64.96%
Standard Supply Service Administration	18,015	172,154	17,740	168,915	257,700	85,546	66.80%
Energy Sales	13,462,403	109,415,648	15,163,583	104,443,548	161,081,800	51,666,152	67.93%
Wholesale Market Services	864,954	7,073,131	877,785	6,229,691	10,585,600	3,512,469	66.82%
Transmission Services	1,432,882	10,914,976	1,387,754	10,816,237	16,256,500	5,341,524	67.14%
Smart Meter Entity Charge	69,406	555,250	72,541	280,707	840,000	284,750	66.10%
Retailer Services	3,555	30,860	3,792	34,912	45,000	14,140	68.58%
	19,028,766	153,341,466	21,019,391	148,441,011	227,829,700	74,488,234	67.31%
Other Revenue							
Investment Income	27,703	230,420	27,472	255,700	225,100	(5,320)	102.36%
Late Payment Penalties	20,962	177,651	20,843	161,595	249,000	71,349	71.35%
Miscellaneous Income	82,449	931,473	43,728	843,840	1,101,800	170,327	84.54%
	131,115	1,339,544	92,043	1,261,135	1,575,900	236,356	85.00%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	94,177	1,429,349	182,764	691,078	1,370,600	(58,749)	104.29%
	94,177	1,429,349	182,764	691,078	1,370,600	(58,749)	104.29%
TOTAL REVENUE	19,254,057	156,110,358	21,294,199	150,393,224	230,776,200	74,665,842	67.65%
EXPENSE							
Power Supply Expense							
Energy Purchased	13,462,403	109,415,648	15,163,583	104,443,548	161,081,800	51,666,152	67.93%
Wholesale Market Services	864,954	7,073,131	877,785	6,229,691	10,585,600	3,512,469	66.82%
Transmission Services	1,432,882	10,914,976	1,387,754	10,816,237	16,256,500	5,341,524	67.14%
Smart Meter Entity Charge	69,406	555,250	72,541	280,707	840,000	284,750	66.10%
Retailer Services	3,555	30,860	3,792	34,912	45,000	14,140	68.58%
	15,833,200	127,989,864	17,505,456	121,805,094	188,808,900	60,819,036	67.79%
Operating Expense							
Engineering	27,218	494,856	60,371	402,060	850,100	355,244	58.21%
Distribution Operation	365,951	2,863,639	344,525	3,095,414	4,681,300	1,817,661	61.17%
Distribution Maintenance	448,639	3,841,227	315,229	3,547,140	5,337,100	1,495,873	71.97%
Customer Accounts	317,490	2,254,573	200,026	2,018,758	3,831,000	1,576,427	58.85%
Administration	256,716	2,037,074	164,163	1,963,862	2,978,900	941,826	68.38%
Community Relations	7,262	180,048	6,804	215,538	189,000	8,952	95.26%
Other Expenses / Donations	100	1,000	100	1,750	87,300	86,300	1.15%
	1,423,375	11,672,417	1,091,218	11,244,523	17,954,700	6,282,283	65.01%
Amortization, Interest and Taxes							
Amortization Expense	617,122	4,912,765	533,463	4,251,484	7,509,900	2,597,135	65.42%
Interest Expense	354,341	2,885,857	429,846	3,445,422	4,336,400	1,450,543	66.55%
Provision for Property & Capital Taxes	29,750	238,000	31,400	251,200	357,000	119,000	66.67%
	1,001,213	8,036,622	994,709	7,948,106	12,203,300	4,166,678	65.86%
Total Utility Operation Expense	18,257,788	147,698,904	19,591,382	140,997,723	218,966,900	71,267,996	67.45%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	88,378	1,395,987	186,912	776,299	1,370,600	(25,387)	101.85%
	88,378	1,395,987	186,912	776,299	1,370,600	(25,387)	101.85%
TOTAL EXPENSES	18,346,166	149,094,891	19,778,295	141,774,022	220,337,500	71,242,609	67.67%
INCOME BEFORE PILs	907,892	7,015,468	1,515,904	8,619,203	10,438,700	3,423,232	67.21%
Payments in Lieu of Corporate Income Tax	85,000	680,000	150,000	1,133,303	924,600	244,600	73.55%
NET INCOME	822,892	6,335,468	1,365,904	7,485,900	9,514,100	3,178,632	66.59%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	August 2014	August 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	6,335,468	7,485,900	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(10,852)	(11,485)	(82,757)
Amortization	5,274,613	4,570,941	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	250,313	164,635	(37,095)
Increase (decrease) in post employment benefits obligation	266,400	262,400	166,166
Net change in non-cash operating working capital	2,714,051	(4,134,302)	(11,462,167)
Cash provided by operating activities	14,829,991	8,338,089	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(11,030,857)	(13,987,166)	(20,085,547)
Net change in regulatory assets and liabilities	(1,343,623)	329,544	5,968,723
Proceeds on disposals of capital assets	10,852	15,256	86,528
Cash (applied to) investing activities	(12,363,628)	(13,642,366)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
Increase (decrease) in contributed capital & deferred revenue	2,245,047	254,687	4,873,516
Short term debt	(470,704)	(451,187)	-
Long term debt	-	-	(912,029)
Dividend paid out	(3,329,000)	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	(1,554,658)	(3,869,600)	288,387
Net cash (applied) during the year	911,706	(9,173,876)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,795	20,106,794
Cash and cash equivalents, end of period	13,160,838	10,932,919	12,249,132
Cash and cash equivalents represented by:			
Cash	13,160,838	10,932,919	12,249,132
Cash equivalents	-	-	-
	13,160,838	10,932,919	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at September 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	16,240,556	12,249,132
Accounts receivable	43,732,654	46,957,396
Inventories	3,895,029	3,134,303
Prepaid Expenses	658,765	897,009
PILS Receivable	683,877	683,877
Other Assets	221,812	0
Total current assets	<u>65,432,693</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	183,972,502	181,051,618
Regulatory assets	4,361,965	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>260,445,453</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	24,999,568	26,399,693
Customer and construction deposits	8,007,591	4,225,272
Current portion of long-term debt	480,777	951,481
Total current liabilities	<u>33,487,936</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	4,102,550	3,836,508
Post-employment benefits	6,071,182	5,771,482
Regulatory liabilities	8,774,551	18,525,331
Total long-term liabilities	<u>101,928,878</u>	<u>111,113,915</u>
Total liabilities	<u>135,416,814</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	61,339,140	57,329,401
Total shareholders' equity	<u>125,028,639</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>260,445,453</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending September 30, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of	9 Months to	Month of	9 Months to	Budget	Unexpended	% Used
	September	September 30	September	September 30	Year End	Budget	75.00%
Sales Revenue							
Distribution Sales	3,188,478	28,367,926	3,332,050	29,799,052	38,763,100	10,395,174	73.18%
Standard Supply Service Administration	25,270	197,423	24,804	193,718	257,700	60,277	76.61%
Energy Sales	13,437,712	122,853,360	11,399,646	115,843,195	161,081,800	38,228,440	76.27%
Wholesale Market Services	833,948	7,907,078	819,009	7,048,700	10,585,600	2,678,522	74.70%
Transmission Services	1,336,790	12,251,766	1,351,178	12,167,414	16,256,500	4,004,734	75.37%
Smart Meter Entity Charge	69,406	624,656	68,383	349,090	840,000	215,344	74.36%
Retailer Services	4,039	34,899	4,474	39,386	45,000	10,101	77.55%
	18,895,643	172,237,109	16,999,544	165,440,555	227,829,700	55,592,591	75.60%
Other Revenue							
Investment Income	28,241	258,662	34,754	290,453	225,100	(33,562)	114.91%
Late Payment Penalties	19,154	196,805	17,069	178,664	249,000	52,195	79.04%
Miscellaneous Income	54,757	986,229	58,557	902,397	1,101,800	115,571	89.51%
	102,152	1,441,696	110,380	1,371,515	1,575,900	134,204	91.48%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	194,387	1,623,736	134,007	825,085	1,370,600	(253,136)	118.47%
	194,387	1,623,736	134,007	825,085	1,370,600	(253,136)	118.47%
TOTAL REVENUE	19,192,182	175,302,541	17,243,931	167,637,155	230,776,200	55,473,659	75.96%
EXPENSE							
Power Supply Expense							
Energy Purchased	13,437,712	122,853,360	11,399,646	115,843,195	161,081,800	38,228,440	76.27%
Wholesale Market Services	833,948	7,907,078	819,009	7,048,700	10,585,600	2,678,522	74.70%
Transmission Services	1,336,790	12,251,766	1,351,178	12,167,414	16,256,500	4,004,734	75.37%
Smart Meter Entity Charge	69,406	624,656	68,383	349,090	840,000	215,344	74.36%
Retailer Services	4,039	34,899	4,474	39,386	45,000	10,101	77.55%
	15,681,895	143,671,760	13,642,690	135,447,785	188,808,900	45,137,140	76.09%
Operating Expense							
Engineering	(16,791)	478,064	119,766	521,826	850,100	372,036	56.24%
Distribution Operation	328,186	3,191,825	352,113	3,447,527	4,681,300	1,489,475	68.18%
Distribution Maintenance	442,122	4,283,349	668,464	4,215,604	5,337,100	1,053,751	80.26%
Customer Accounts	260,599	2,515,172	305,098	2,323,856	3,831,000	1,315,828	65.65%
Administration	201,424	2,238,499	232,387	2,196,249	2,978,900	740,401	75.15%
Community Relations	42,179	222,227	5,257	220,795	189,000	(33,227)	117.58%
Other Expenses / Donations	100	1,100	100	1,850	87,300	86,200	1.26%
	1,257,820	12,930,236	1,683,185	12,927,707	17,954,700	5,024,464	72.02%
Amortization, Interest and Taxes							
Amortization Expense	614,914	5,527,679	1,130,770	5,382,254	7,509,900	1,982,221	73.61%
Interest Expense	355,639	3,241,497	435,137	3,880,559	4,336,400	1,094,903	74.75%
Provision for Property & Capital Taxes	23,194	261,194	31,400	282,600	357,000	95,806	73.16%
	993,747	9,030,369	1,597,307	9,545,413	12,203,300	3,172,931	74.00%
Total Utility Operation Expense	17,933,462	165,632,366	16,923,182	157,920,905	218,966,900	53,334,534	75.64%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	170,449	1,566,436	149,625	925,924	1,370,600	(195,836)	114.29%
	170,449	1,566,436	149,625	925,924	1,370,600	(195,836)	114.29%
TOTAL EXPENSES	18,103,911	167,198,802	17,072,808	158,846,829	220,337,500	53,138,698	75.88%
INCOME BEFORE PILs	1,088,271	8,103,739	171,123	8,790,326	10,438,700	2,334,961	77.63%
Payments in Lieu of Corporate Income Tax	85,000	765,000	150,000	1,283,303	924,600	159,600	82.74%
NET INCOME	1,003,271	7,338,739	21,123	7,507,023	9,514,100	2,175,361	77.14%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	September 2014	September 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	7,338,739	7,507,023	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(10,852)	(23,485)	(82,757)
Amortization	5,975,895	5,768,017	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	266,043	209,110	(37,095)
Increase (decrease) in post employment benefits obligation	299,700	295,200	166,166
Net change in non-cash operating working capital	5,845,608	(364,334)	(11,462,167)
Cash provided by operating activities	19,715,132	13,391,531	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(12,744,793)	(15,210,282)	(20,085,547)
Net change in regulatory assets and liabilities	(2,055,112)	(2,472,991)	5,968,723
Proceeds on disposals of capital assets	10,852	27,256	86,528
Cash (applied to) investing activities	(14,789,053)	(17,656,017)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
Increase (decrease) in contributed capital & deferred revenue	2,865,050	555,172	4,873,516
Short term debt	(470,704)	(451,187)	-
Long term debt	-	-	(912,029)
Dividend paid out	(3,329,000)	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	(934,654)	(3,569,115)	288,387
Net cash (applied) during the year	3,991,424	(7,833,601)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,795	20,106,794
Cash and cash equivalents, end of period	16,240,556	12,273,194	12,249,132
Cash and cash equivalents represented by:			
Cash	16,240,556	12,273,194	12,249,132
Cash equivalents	-	-	-
	16,240,556	12,273,194	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at October 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	16,238,506	12,249,132
Accounts receivable	44,053,186	46,957,396
Inventories	3,859,905	3,134,303
Prepaid Expenses	651,321	897,009
PILS Receivable	0	683,877
Other Assets	328,137	0
Total current assets	<u>65,131,056</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	184,776,730	181,051,618
Regulatory assets	3,355,913	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u><u>259,941,992</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	24,124,428	26,399,693
Customer and construction deposits	7,885,913	4,225,272
Current portion of long-term debt	480,777	951,481
Total current liabilities	<u>32,491,119</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	4,130,709	3,836,508
Post-employment benefits	6,104,482	5,771,482
Regulatory liabilities	8,518,315	18,525,331
Total long-term liabilities	<u>101,734,101</u>	<u>111,113,915</u>
Total liabilities	<u>134,225,220</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	62,027,274	57,329,401
Total shareholders' equity	<u>125,716,773</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>259,941,992</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending October 31, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of October	10 Months to October 31	Month of October	10 Months to October 31	Budget Year End	Unexpended Budget	% Used 83.33%
Sales Revenue							
Distribution Sales	2,797,795	31,165,720	3,308,284	33,107,336	38,763,100	7,597,380	80.40%
Standard Supply Service Administration	18,020	215,444	17,859	211,577	257,700	42,257	83.60%
Energy Sales	13,116,677	135,970,037	15,333,017	131,176,211	161,081,800	25,111,763	84.41%
Wholesale Market Services	832,966	8,740,044	710,505	7,759,205	10,585,600	1,845,556	82.57%
Transmission Services	1,312,427	13,564,193	1,279,469	13,446,883	16,256,500	2,692,307	83.44%
Smart Meter Entity Charge	69,406	694,063	71,308	420,398	840,000	145,938	82.63%
Retailer Services	3,428	38,328	3,706	43,092	45,000	6,672	85.17%
	18,150,719	190,387,828	20,724,147	186,164,702	227,829,700	37,441,872	83.57%
Other Revenue							
Investment Income	27,621	286,282	35,322	325,775	225,100	(61,182)	127.18%
Late Payment Penalties	25,924	222,729	24,721	203,385	249,000	26,271	89.45%
Miscellaneous Income	46,834	1,033,064	42,020	944,418	1,101,800	68,736	93.76%
	100,379	1,542,075	102,064	1,473,578	1,575,900	33,825	97.85%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	78,660	1,702,396	147,114	972,199	1,370,600	(331,796)	124.21%
	78,660	1,702,396	147,114	972,199	1,370,600	(331,796)	124.21%
TOTAL REVENUE	18,329,758	193,632,299	20,973,325	188,610,480	230,776,200	37,143,901	83.90%
EXPENSE							
Power Supply Expense							
Energy Purchased	13,116,677	135,970,037	15,333,017	131,176,211	161,081,800	25,111,763	84.41%
Wholesale Market Services	832,966	8,740,044	710,505	7,759,205	10,585,600	1,845,556	82.57%
Transmission Services	1,312,427	13,564,193	1,279,469	13,446,883	16,256,500	2,692,307	83.44%
Smart Meter Entity Charge	69,406	694,063	71,308	420,398	840,000	145,938	82.63%
Retailer Services	3,428	38,328	3,706	43,092	45,000	6,672	85.17%
	15,334,904	159,006,664	17,398,005	152,845,789	188,808,900	29,802,236	84.22%
Operating Expense							
Engineering	(56,824)	421,241	25,655	547,481	850,100	428,859	49.55%
Distribution Operation	361,298	3,553,123	390,203	3,837,730	4,681,300	1,128,177	75.90%
Distribution Maintenance	435,708	4,719,057	427,628	4,643,233	5,337,100	618,043	88.42%
Customer Accounts	238,634	2,753,807	266,939	2,590,796	3,831,000	1,077,193	71.88%
Administration	227,352	2,465,851	197,805	2,394,054	2,978,900	513,049	82.78%
Community Relations	9,885	232,112	8,051	228,846	189,000	(43,112)	122.81%
Other Expenses / Donations	850	1,950	200	2,050	87,300	85,350	2.23%
	1,216,903	14,147,140	1,316,482	14,244,190	17,954,700	3,807,560	78.79%
Amortization, Interest and Taxes							
Amortization Expense	615,155	6,142,833	599,506	5,981,760	7,509,900	1,367,067	81.80%
Interest Expense	345,972	3,587,468	430,660	4,311,220	4,336,400	748,932	82.73%
Provision for Property & Capital Taxes	23,194	284,388	19,142	301,742	357,000	72,612	79.66%
	984,320	10,014,690	1,049,309	10,594,722	12,203,300	2,188,610	82.07%
Total Utility Operation Expense	17,536,128	183,168,494	19,763,796	177,684,701	218,966,900	35,798,406	83.65%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	197,754	1,764,190	141,690	1,067,614	1,370,600	(393,590)	128.72%
	197,754	1,764,190	141,690	1,067,614	1,370,600	(393,590)	128.72%
TOTAL EXPENSES	17,733,882	184,932,684	19,905,486	178,752,315	220,337,500	35,404,816	83.93%
INCOME BEFORE PILs	595,876	8,699,615	1,067,839	9,858,164	10,438,700	1,739,085	83.34%
Payments in Lieu of Corporate Income Tax	(92,258)	672,742	150,000	1,433,303	924,600	251,858	72.76%
NET INCOME	688,134	8,026,873	917,839	8,424,861	9,514,100	1,487,227	84.37%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	October 2014	October 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	8,026,873	8,424,861	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(10,852)	(23,485)	(82,757)
Amortization	6,641,477	6,411,663	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	294,202	(148,857)	(37,095)
Increase (decrease) in post employment benefits obligation	333,000	328,000	166,166
Net change in non-cash operating working capital	5,148,377	(4,887,164)	(11,462,167)
Cash provided by operating activities	20,433,077	10,105,018	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(14,907,907)	(16,199,626)	(20,085,547)
Net change in regulatory assets and liabilities	(1,305,297)	4,391,147	5,968,723
Proceeds on disposals of capital assets	10,852	27,256	86,528
Cash (applied to) investing activities	(16,202,351)	(11,781,223)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
Increase (decrease) in contributed capital & deferred revenue	3,558,353	930,805	4,873,516
Short term debt	(470,704)	(451,187)	-
Long term debt	-	-	(912,029)
Dividend paid out	(3,329,000)	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	(241,351)	(3,193,482)	288,387
Net cash (applied) during the year	3,989,375	(4,869,716)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	16,238,506	15,237,078	12,249,132
Cash and cash equivalents represented by:			
Cash	16,238,506	15,237,078	12,249,132
Cash equivalents	-	-	-
	16,238,506	15,237,078	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at November 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	14,925,018	12,249,132
Accounts receivable	49,174,670	46,957,396
Inventories	4,083,908	3,134,303
Prepaid Expenses	638,485	897,009
PILS Receivable	0	683,877
Other Assets	730,907	0
Total current assets	69,552,988	63,921,717
Capital assets, net of accumulated amortization	185,812,581	181,051,618
Regulatory assets	1,895,913	12,057,632
Future income tax assets	6,678,294	6,678,294
TOTAL ASSETS	<u>263,939,776</u>	<u>263,709,261</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	27,441,761	26,399,693
Customer and construction deposits	8,475,469	4,225,272
Current portion of long-term debt	0	951,481
Total current liabilities	35,917,230	31,576,446
Long-term liabilities		
Long-term debt	82,980,595	82,980,595
Customer deposits	4,127,448	3,836,508
Post-employment benefits	6,137,782	5,771,482
Regulatory liabilities	8,517,926	18,525,331
Total long-term liabilities	101,763,751	111,113,915
Total liabilities	137,680,982	142,690,361
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	62,569,295	57,329,401
Total shareholders' equity	126,258,794	121,018,900
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>263,939,776</u>	<u>263,709,261</u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending November 30, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of November	11 Months to November 30	Month of November	11 Months to November 30	Forecast Year End	Unexpended Forecast	% Used 91.67%
Sales Revenue							
Distribution Sales	3,106,015	34,271,736	3,368,391	36,475,728	38,634,000	4,362,264	88.71%
Standard Supply Service Administration	25,278	240,722	24,768	236,344	257,700	16,978	93.41%
Energy Sales	15,902,433	151,872,470	15,288,324	146,464,535	167,156,100	15,283,630	90.86%
Wholesale Market Services	607,495	9,347,539	700,385	8,459,590	10,604,000	1,256,461	88.15%
Transmission Services	1,380,171	14,944,364	1,316,574	14,763,457	16,599,200	1,654,836	90.03%
Smart Meter Entity Charge	69,406	763,469	63,791	484,190	832,900	69,431	91.66%
Retailer Services	4,061	42,388	4,282	47,373	47,900	5,512	88.49%
	21,094,859	211,482,687	20,766,515	206,931,217	234,131,800	22,649,113	90.33%
Other Revenue							
Investment Income	20,662	306,944	31,843	357,619	335,400	28,456	91.52%
Late Payment Penalties	18,186	240,915	16,915	220,301	262,400	21,485	91.81%
Miscellaneous Income	71,612	1,104,676	54,361	998,779	1,056,000	(48,676)	104.61%
	110,460	1,652,536	103,120	1,576,698	1,653,800	1,264	99.92%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	154,018	1,856,413	382,639	1,354,839	2,205,600	349,187	84.17%
	154,018	1,856,413	382,639	1,354,839	2,205,600	349,187	84.17%
TOTAL REVENUE	21,359,337	214,991,636	21,252,274	209,862,754	237,991,200	22,999,564	90.34%
EXPENSE							
Power Supply Expense							
Energy Purchased	15,902,433	151,872,470	15,288,324	146,464,535	167,156,100	15,283,630	90.86%
Wholesale Market Services	607,495	9,347,539	700,385	8,459,590	10,604,000	1,256,461	88.15%
Transmission Services	1,380,171	14,944,364	1,316,574	14,763,457	16,599,200	1,654,836	90.03%
Smart Meter Entity Charge	69,406	763,469	63,791	484,190	832,900	69,431	91.66%
Retailer Services	4,061	42,388	4,282	47,373	47,900	5,512	88.49%
	17,963,565	176,970,230	17,373,356	170,219,146	195,240,100	18,269,870	90.64%
Operating Expense							
Engineering	45,463	466,704	(65,243)	482,239	650,100	183,396	71.79%
Distribution Operation	389,755	3,942,878	252,428	4,090,158	4,404,700	461,822	89.52%
Distribution Maintenance	413,883	5,132,940	430,123	5,073,355	5,519,600	386,660	92.99%
Customer Accounts	338,398	3,092,204	244,170	2,834,966	3,416,500	324,296	90.51%
Administration	309,104	2,774,955	169,540	2,563,594	2,943,100	168,145	94.29%
Community Relations	8,580	240,692	7,890	236,736	260,600	19,908	92.36%
Other Expenses / Donations	(1,500)	450	(0)	2,050	3,500	3,050	12.86%
	1,503,684	15,650,824	1,038,908	15,283,098	17,198,100	1,547,276	91.00%
Amortization, Interest and Taxes							
Amortization Expense	713,092	6,855,925	597,580	6,579,340	7,315,800	459,875	93.71%
Interest Expense	351,730	3,939,198	433,238	4,744,457	4,301,300	362,102	91.58%
Provision for Property & Capital Taxes	23,194	307,582	19,142	320,885	330,900	23,318	92.95%
	1,088,016	11,102,705	1,049,961	11,644,682	11,948,000	845,295	92.93%
Total Utility Operation Expense	20,555,265	203,723,759	19,462,225	197,146,926	224,386,200	20,662,441	90.79%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	177,050	1,941,240	249,234	1,316,848	1,491,600	(449,640)	130.14%
	177,050	1,941,240	249,234	1,316,848	1,491,600	(449,640)	130.14%
TOTAL EXPENSES	20,732,315	205,664,999	19,711,458	198,463,773	225,877,800	20,212,801	91.05%
INCOME BEFORE PILs	627,022	9,326,637	1,540,816	11,398,980	12,113,400	2,786,763	76.99%
Payments in Lieu of Corporate Income Tax	85,000	757,742	150,000	1,583,303	1,538,000	780,258	49.27%
NET INCOME	542,022	8,568,895	1,390,816	9,815,677	10,575,400	2,006,505	81.03%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	November 2014	November 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	8,568,895	9,815,677	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(16,852)	(23,485)	(82,757)
Amortization	7,409,618	7,053,324	9,021,798
Decrease (increase) in future income taxes	-	-	(44,034)
Increase (decrease) in non-current customer deposits	290,941	(63,930)	(37,095)
Increase (decrease) in post employment benefits obligation	366,300	360,800	166,166
Net change in non-cash operating working capital	3,319,846	(5,587,516)	(11,462,167)
Cash provided by operating activities	19,938,746	11,554,870	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(17,110,351)	(17,526,460)	(20,085,547)
Net change in regulatory assets and liabilities	154,315	2,457,207	5,968,723
Proceeds on disposals of capital assets	16,852	27,256	86,528
Recognition of deferred regulatory capital	(261,094)		
Cash (applied to) investing activities	(17,200,277)	(15,041,997)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
Increase (decrease) in contributed capital & deferred revenue	4,217,899	2,050,233	4,873,516
Short term debt	(951,481)	(912,029)	-
Long term debt	-	-	(912,029)
Dividend paid out	(3,329,000)	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	(62,583)	(2,534,896)	288,387
Net cash (applied) during the year	2,675,886	(6,022,022)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	14,925,018	14,084,772	12,249,132
Cash and cash equivalents represented by:			
Cash	14,925,018	14,084,772	12,249,132
Cash equivalents	-	-	-
	14,925,018	14,084,772	12,249,132

KITCHENER-WILMOT HYDRO INC
BALANCE SHEET

	As at December 2014	As At December 2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	12,500,988	12,249,132
Accounts receivable	51,189,954	46,957,396
Inventories	3,136,319	3,134,303
Prepaid Expenses	1,084,845	897,009
PILS Receivable	33,695	683,877
Other Assets	0	0
Total current assets	<u>67,945,800</u>	<u>63,921,717</u>
Capital assets, net of accumulated amortization	186,373,289	181,051,618
Regulatory assets	3,628,809	12,057,632
Future income tax assets	5,157,735	6,678,294
TOTAL ASSETS	<u><u>263,105,633</u></u>	<u><u>263,709,261</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	28,273,507	26,399,693
Customer and construction deposits	7,107,368	4,225,272
Current portion of long-term debt	992,641	951,481
Total current liabilities	<u>36,373,516</u>	<u>31,576,446</u>
Long-term liabilities		
Long-term debt	81,987,954	82,980,595
Customer deposits	4,072,968	3,836,508
Post-employment benefits	5,833,516	5,771,482
Regulatory liabilities	6,483,632	18,525,331
Total long-term liabilities	<u>98,378,070</u>	<u>111,113,915</u>
Total liabilities	<u>134,751,586</u>	<u>142,690,361</u>
Shareholders' equity		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	64,664,548	57,329,401
Total shareholders' equity	<u>128,354,047</u>	<u>121,018,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>263,105,633</u></u>	<u><u>263,709,261</u></u>

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending December 31, 2014

	<u>2014</u>		<u>2013</u>		<u>2014</u>		
	Month of December	12 Months to December 31	Month of December	12 Months to December 31	Forecast Year End	Unexpended Forecast	% Used 100.00%
Sales Revenue							
Distribution Sales	3,610,771	37,882,506	1,490,184	37,965,911	38,634,000	751,494	98.05%
Standard Supply Service Administration	18,075	258,797	17,861	254,205	257,700	(1,097)	100.43%
Energy Sales	14,746,186	166,618,656	14,598,246	161,062,781	167,156,100	537,444	99.68%
Wholesale Market Services	892,833	10,240,372	1,155,671	9,615,261	10,604,000	363,628	96.57%
Transmission Services	1,430,344	16,374,707	1,376,064	16,139,521	16,599,200	224,493	98.65%
Smart Meter Entity Charge	70,182	833,651	81,413	565,603	832,900	(751)	100.09%
Retailer Services	3,460	45,849	3,654	51,028	47,900	2,051	95.72%
	20,771,852	232,254,539	18,723,092	225,654,310	234,131,800	1,877,261	99.20%
Other Revenue							
Investment Income	27,211	334,156	54,849	412,468	335,400	1,244	99.63%
Late Payment Penalties	25,165	266,081	21,041	241,341	262,400	(3,681)	101.40%
Miscellaneous Income	104,346	1,209,022	89,285	1,088,063	1,056,000	(153,022)	114.49%
	156,722	1,809,258	165,174	1,741,872	1,653,800	(155,458)	109.40%
Non-Utility Operation Revenue							
Energy Conservation - OPA Programs	990,878	2,847,291	136,731	1,491,570	2,205,600	(641,691)	129.09%
	990,878	2,847,291	136,731	1,491,570	2,205,600	(641,691)	129.09%
TOTAL REVENUE	21,919,452	236,911,088	19,024,998	228,887,752	237,991,200	1,080,112	99.55%
EXPENSE							
Power Supply Expense							
Energy Purchased	14,746,186	166,618,656	14,598,246	161,062,781	167,156,100	537,444	99.68%
Wholesale Market Services	892,833	10,240,372	1,155,671	9,615,261	10,604,000	363,628	96.57%
Transmission Services	1,430,344	16,374,707	1,376,064	16,139,521	16,599,200	224,493	98.65%
Smart Meter Entity Charge	70,182	833,651	81,413	565,603	832,900	(751)	100.09%
Retailer Services	3,460	45,849	3,654	51,028	47,900	2,051	95.72%
	17,143,006	194,113,236	17,215,048	187,434,193	195,240,100	1,126,864	99.42%
Operating Expense							
Engineering	(99,805)	366,899	(31,104)	451,134	650,100	283,201	56.44%
Distribution Operation	221,506	4,164,384	179,989	4,270,146	4,404,700	240,316	94.54%
Distribution Maintenance	480,572	5,613,513	656,105	5,729,460	5,519,600	(93,913)	101.70%
Customer Accounts	275,300	3,367,505	204,433	3,039,399	3,416,500	48,995	98.57%
Administration	84,668	2,859,623	80,067	2,643,661	2,943,100	83,477	97.16%
Community Relations	8,069	248,761	4,789	241,525	260,600	11,839	95.46%
Other Expenses / Donations	2,104	2,554	1,904	3,954	3,500	946	72.97%
	972,415	16,623,238	1,096,182	16,379,280	17,198,100	574,862	96.66%
Amortization, Interest and Taxes							
Amortization Expense	202,579	7,058,505	1,922,885	8,502,226	7,315,800	257,295	96.48%
Interest Expense	392,148	4,331,346	429,232	5,173,690	4,301,300	(30,046)	100.70%
Provision for Property & Capital Taxes	41,364	348,946	12,114	332,999	330,900	(18,046)	105.45%
	636,091	11,738,796	2,364,232	14,008,914	11,948,000	209,204	98.25%
Total Utility Operation Expense	18,751,511	222,475,270	20,675,462	217,822,387	224,386,200	1,910,930	99.15%
Non-Utility Operation Expense							
Energy Conservation - OPA Programs	322,022	2,263,262	220,789	1,537,637	1,491,600	(771,662)	151.73%
	322,022	2,263,262	220,789	1,537,637	1,491,600	(771,662)	151.73%
TOTAL EXPENSES	19,073,533	224,738,532	20,896,250	219,360,024	225,877,800	1,139,268	99.50%
INCOME BEFORE PILs	2,845,919	12,172,556	(1,871,252)	9,527,728	12,113,400	(59,156)	100.49%
Payments in Lieu of Corporate Income Tax	750,666	1,508,408	(377,911)	1,205,392	1,538,000	29,592	98.08%
NET INCOME	2,095,253	10,664,148	(1,493,341)	8,322,336	10,575,400	(88,748)	100.84%

KITCHENER-WILMOT HYDRO INC
CASH FLOW STATEMENT

	December 2014	December 2013	December 2013
<u>OPERATING ACTIVITIES</u>			
Net Income	10,664,148	8,322,336	8,322,336
Add (deduct) charges to operations not requiring current cash payment:			
(Gain) on disposal of capital assets	(25,542)	(82,757)	(82,757)
Amortization	7,667,935	9,021,798	9,021,798
Decrease (increase) in future income taxes	1,520,559	(44,034)	(44,034)
Increase (decrease) in non-current customer deposits	236,460	(37,095)	(37,095)
Increase (decrease) in post employment benefits obligation	62,034	166,166	166,166
Net change in non-cash operating working capital	4,162,844	(11,462,167)	(11,462,167)
Cash provided by operating activities	24,288,437	5,884,247	5,884,247
<u>INVESTING ACTIVITIES</u>			
Additions to capital assets	(19,203,879)	(20,085,547)	(20,085,547)
Net change in regulatory assets and liabilities	(6,792,036)	5,968,723	5,968,723
Proceeds on disposals of capital assets	32,105	86,528	86,528
Cash (applied to) investing activities	(25,963,810)	(14,030,296)	(14,030,296)
<u>FINANCING ACTIVITIES</u>			
Increase (decrease) in contributed capital & deferred revenue	6,207,710	4,873,516	4,873,516
Long term debt	(951,481)	(912,029)	(912,029)
Dividend paid out	(3,329,000)	(3,673,100)	(3,673,100)
Cash (applied to) provided financing activities	1,927,229	288,387	288,387
Net cash (applied) during the year	251,856	(7,857,663)	(7,857,663)
Cash and cash equivalents, beginning of year	12,249,132	20,106,794	20,106,794
Cash and cash equivalents, end of period	12,500,988	12,249,132	12,249,132
Cash and cash equivalents represented by:			
Cash	12,500,988	12,249,132	12,249,132
Cash equivalents	-	-	-
	12,500,988	12,249,132	12,249,132



Appendix 2 – 2014 Variance Analysis

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BUDGET - YTD Income Statement Variance Analysis (\$K)

January 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$3,573.1	\$3,251.7	\$321.3	9.88%
Other Revenue	\$94.7	\$131.3	-\$36.6	-27.88%
Non-utility - OPA	\$63.9	\$114.2	-\$50.3	-44.05%
	\$3,731.7	\$3,497.3 ↑	\$234.4	6.70%
Expense:				
Distribution Operation & Maintenance	\$1,045.3	\$905.7	\$139.6	15.41%
Customer Accounts	\$268.4	\$319.3	-\$50.8	-15.92%
Administration	\$303.5	\$248.2	\$55.2	22.25%
Conservation & Community Relations	\$5.5	\$23.0	-\$17.5	-76.11%
Subtotal OM&A	\$1,622.7	\$1,496.2 ↑	\$126.5	8.45%
Amortization	\$610.8	\$625.8	-\$15.1	-2.41%
Interest Expense	\$366.1	\$361.4	\$4.7	1.30%
Property & capital taxes	\$29.8	\$29.8	\$0.0	0.00%
Energy Conservation - OPA Programs	\$109.8	\$114.2	-\$4.4	-3.88%
Total Expenses before taxes	\$2,739.1	\$2,627.4 ↑	\$111.7	4.25%
Tax:	\$85.0	\$77.1 ↑	\$8.0	10.32%
Net Income:	\$907.6	\$792.8 ↑	\$114.8	14.48%

Residential sales up \$274K net of unbilled revenue adjustment; General service revenue up \$45K, Large user up \$23K
 Misc revenue pole revenue (\$42K) budgeted monthly but actual revenue to be recognized Q3
 Timing of projects
 Revenue is higher than budget

Admin O/H credit \$113K; Engineering O/H Credit \$27K lower than budget
 Service contracts \$34K; Office supplies \$10K
 Admin O/H credit \$57K lower than budget
 Timing of spending - sponsorships \$8K, misc exp \$7K
 OM&A expenses higher than budget

Computer software amortization \$15K lower than budget
 Interest on BMO letter of credit higher than budget
 Timing of projects
 Total Expenses higher than budget

Net Income is higher than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

February 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$6,763.8	\$6,503.5	\$260.3	4.00%
Other Revenue	\$200.3	\$262.7	-\$62.4	-23.76%
Non-utility - OPA	\$180.3	\$228.4	-\$48.2	-21.09%
	\$7,144.3	\$6,994.6 ↑	\$149.7	2.14%
Expense:				
Distribution Operation & Maintenance	\$1,828.5	\$1,811.4	\$17.1	0.94%
Customer Accounts	\$509.0	\$638.5	-\$129.5	-20.29%
Administration	\$550.9	\$496.5	\$54.5	10.97%
Conservation & Community Relations	\$12.3	\$46.1	-\$33.8	-73.35%
Subtotal OM&A	\$2,900.7	\$2,992.5 ↓	-\$91.8	-3.07%
Amortization	\$1,224.8	\$1,251.7	-\$26.9	-2.15%
Interest Expense	\$726.3	\$722.7	\$3.5	0.49%
Property & capital taxes	\$59.5	\$59.5	\$0.0	0.00%
Energy Conservation - OPA Programs	\$192.4	\$228.4	-\$36.1	-15.78%
Total Expenses before taxes	\$5,103.6	\$5,254.8 ↓	-\$151.2	-2.88%
Tax:				
	\$170.0	\$154.1 ↑	\$15.9	10.32%
Net Income:	\$1,870.7	\$1,585.7 ↑	\$285.0	17.98%

Residential sales up \$298K, General service revenue up \$116K, Unbilled revenue adjustment (\$148K)
 Misc revenue pole revenue (\$84K) budgeted monthly but actual revenue to be recognized Q3, Investment income up \$19K
 Timing of projects
 Revenue is higher than budget

O/H Admin Credit is \$51K below budget, IT charges are below budget by (\$31K)
 Under spending compared to budget for: Service contracts (\$67K); Office supplies (\$19K); Postage (\$13K); Professional fees (\$8K) & IT (\$11K)
 Admin O/H credit \$26K below budget; ESA fees \$33K due to timing of payment (budget normalized across 12 months)
 Timing of spending - sponsorships (\$13K), misc exp (\$16K), safety (\$5K)
 OM&A expenses lower than budget

Computer software amortization \$20K lower than budget; MicroFit software \$6K lower than budget
 Interest on BMO letter of credit higher than budget

Timing of projects
 Total Expenses lower than budget

Net Income is higher than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

March 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$10,466.2	\$9,755.2	\$711.0	7.29%
Other Revenue	\$271.6	\$394.0	-\$122.3	-31.05%
Non-utility - OPA	\$796.0	\$342.7	\$453.4	132.31%
	\$11,533.8	\$10,491.8 ↑	\$1,042.0	9.93%
Expense:				
Distribution Operation & Maintenance	\$2,718.8	\$2,717.1	\$1.7	0.06%
Customer Accounts	\$775.2	\$957.8	-\$182.5	-19.06%
Administration	\$807.9	\$744.7	\$63.1	8.48%
Conservation & Community Relations	\$65.5	\$69.1	-\$3.5	-5.10%
Subtotal OM&A	\$4,367.4	\$4,488.7 ↓	-\$121.3	-2.70%
Amortization	\$1,839.0	\$1,877.5	-\$38.5	-2.05%
Interest Expense	\$1,093.4	\$1,084.1	\$9.3	0.86%
Property & capital taxes	\$89.3	\$89.3	\$0.0	0.00%
Energy Conservation - OPA Programs	\$777.2	\$342.7	\$434.6	126.82%
Total Expenses before taxes	\$8,166.2	\$7,882.2 ↑	\$284.1	3.60%
Tax:	\$255.0	\$231.2 ↑	\$23.9	10.32%
Net Income:	\$3,112.6	\$2,378.5 ↑	\$734.0	30.86%

Residential sales up \$920K, General service revenue up \$252K, Unbilled revenue adjustment (\$485K)
Pole revenue (\$126K) budgeted monthly but actual revenue to be recognized Q3
Timing of programs - in line with YTD variance to budget for expenses
Revenue is higher than budget

In line with YTD budget
Under spending compared to budget for: Postage (\$61K), Service Contracts (\$82K) & Office supplies (\$27K)
Admin O/H credit \$36K below budget; ESA fees \$29K over budget due to timing of payment (budget normalized across 12 months)
Advertising (\$4K)
OM&A expenses lower than budget

Computer software amortization \$28K lower than budget; MicroFit software \$9K lower than budget
Interest higher than budget for BMO letter of credit \$3k, Smart Meter debt \$3K & OEB variance account interest \$4K higher than budget

Timing of projects - in line with YTD variance to budget for revenue
Total Expenses higher than budget

Net Income is higher than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

April 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$13,750.2	\$13,006.9	\$743.3	5.71%
Other Revenue	\$894.1	\$525.3	\$368.8	70.21%
Non-utility - OPA	\$914.6	\$456.9	\$457.8	100.20%
	\$15,559.0	\$13,989.1 ↑	\$1,569.9	11.22%
Expense:				
Distribution Operation & Maintenance	\$3,858.3	\$3,622.8	\$235.5	6.50%
Customer Accounts	\$1,069.6	\$1,277.0 ↓	-\$207.4	-16.24%
Administration	\$1,046.7	\$993.0	\$53.7	5.41%
Conservation & Community Relations	\$151.6	\$92.1	\$59.5	64.58%
Subtotal OM&A	\$6,126.2	\$5,984.9 ↑	\$141.3	2.36%
Amortization	\$2,452.8	\$2,503.3	-\$50.5	-2.02%
Interest Expense	\$1,457.7	\$1,445.5	\$12.2	0.84%
Property & capital taxes	\$119.0	\$119.0	\$0.0	0.00%
Energy Conservation - OPA Programs	\$910.4	\$456.9	\$453.6	99.27%
Total Expenses before taxes	\$11,066.0	\$10,509.5 ↑	\$556.5	5.29%
Tax:	\$340.0	\$308.2 ↑	\$31.8	10.32%
Net Income:	\$4,153.0	\$3,171.4 ↑	\$981.6	30.95%

Residential sales up \$743K, General service revenue up \$280K, Unbilled revenue adjustment (\$303K)
Pole revenue over YTD Budget by \$332K but on target for total Budget; Late Payment Interest \$8K over budget; Investment Income \$42K over budget; Change of Occupancy (\$66K) below budget; Scrap Sales \$32K over budget
Timing of programs - in line with YTD variance to budget for expenses
Revenue is higher than budget

Operations is \$21K below budget (due to the Admin Credit) , Engineering is \$134K over budget (due to the Burden OH Credit), BU 5125 O/H Conductors is \$146K over budget (due to Animal Proofing)
Under spending compared to budget for: Postage (\$95K), Service Contracts (\$20K) & Office supplies (\$31K), Communications (\$10K), C&I Interval Interrogation (\$18K), IT (\$18K)
Admin O/H credit \$31K below budget; ESA fees \$26K over budget due to timing of payment (budget normalized across 12 months)
LEAP & Forestry Grants over budget due to timing (budget normlization across 12 months)
OM&A expenses higher than budget

Amort on Vaults \$20K lower than budget; Amortization on Meters \$35K below budget
Interest higher than budget for BMO letter of credit \$2k, Smart Meter debt \$5K & OEB variance account interest \$7K higher than budget
Timing of projects - in line with YTD variance to budget for revenue
Total Expenses higher than budget

Net Income is higher than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

May 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$16,777.2	\$16,258.7	\$518.6	3.19%
Other Revenue	\$975.6	\$656.6	\$319.0	48.58%
Non-utility - OPA	\$1,103.5	\$571.1	\$532.4	93.23%
	\$18,856.4	\$17,486.4 ↑	\$1,370.0	7.83%
Expense:				
Distribution Operation & Maintenance	\$4,749.1	\$4,528.5	\$220.6	4.87%
Customer Accounts	\$1,407.2	\$1,596.3 ↓	-\$189.1	-11.85%
Administration	\$1,274.4	\$1,241.2	\$33.2	2.68%
Conservation & Community Relations	\$155.7	\$115.1	\$40.6	35.29%
Subtotal OM&A	\$7,586.5	\$7,481.1 ↑	\$105.4	1.41%
Amortization	\$3,066.8	\$3,129.1	-\$62.3	-1.99%
Interest Expense	\$1,826.4	\$1,806.8	\$19.5	1.08%
Property & capital taxes	\$148.8	\$148.8	\$0.0	0.00%
Energy Conservation - OPA Programs	\$1,087.8	\$571.1	\$516.7	90.48%
Total Expenses before taxes	\$13,716.2	\$13,136.9 ↑	\$579.3	4.41%
Tax:	\$425.0	\$385.3 ↑	\$39.8	10.32%
Net Income:	\$4,715.2	\$3,964.2 ↑	\$750.9	18.94%

Residential sales up \$1.2M, General service revenue up \$400K, Unbilled revenue adjustment (\$1M)

Investment income up \$50K; Pole revenue over YTD Budget by \$289K; Loss on disposal (\$23K)

Timing of programs - in line with YTD variance to budget for expenses

Revenue is higher than budget

Admin O/H credit \$62K below budget; BU 5125 - O/H conductors/services over budget \$243K due to animal guard costs; IT changes (\$70K) under budget

Under spending compared to budget for: Postage (\$71K), Service Contracts (\$21K) & Office supplies (\$35K), Communications (\$13K), C&I Interval Interrogation (\$8K), IT (\$25K)

Admin O/H credit \$31K below budget; ESA fees \$23K under budget due to prepaid

LEAP & Forestry Grants over budget due to timing (budget normalization across 12 months)

OM&A expenses higher than budget

Amortization on computer equipment & software below budget \$62K

Interest higher than budget for BMO letter of credit \$2k, Smart Meter debt \$6K & OEB variance account interest \$12K higher than budget

Timing of projects - in line with YTD variance to budget for revenue

Total Expenses higher than budget

Net Income is higher than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

June 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$ 19,871.6	\$ 19,510.4	\$ 361.2	1.85%
Other Revenue	\$ 1,076.6	\$ 788.0	\$ 288.7	36.64%
Non-utility - OPA	\$ 1,198.2	\$ 685.3	\$ 512.9	74.84%
	\$ 22,146.4	\$ 20,983.7	↑ \$ 1,162.8	5.54%

Residential sales up 711K; General service revenue up \$400K, Unbilled revenue adjustment (\$781K)

Investment income up \$65K; Pole revenue over YTD Budget by \$247K; Loss on disposal (\$30K)

Timing of programs - in line with YTD variance to budget for expenses

Revenue is higher than budget

Expense:				
Distribution Operation & Maintenance	\$ 5,430.2	\$ 5,434.3	\$ (4.0)	-0.07%
Customer Accounts	\$ 1,645.1	\$ 1,915.5	\$ (270.4)	-14.12%
Administration	\$ 1,543.6	\$ 1,489.5	\$ 54.1	3.63%
Conservation & Community Relations	\$ 167.4	\$ 138.2	\$ 29.3	21.19%
Subtotal OM&A	\$ 8,786.3	\$ 8,977.4	↓ \$ (191.0)	-2.13%
Amortization	\$ 3,681.0	\$ 3,755.0	\$ (74.0)	-1.97%
Interest Expense	\$ 2,178.0	\$ 2,168.2	\$ 9.8	0.45%
Property & capital taxes	\$ 178.5	\$ 178.5	\$ -	0.00%
Energy Conservation - OPA Programs	\$ 1,178.5	\$ 685.3	\$ 493.2	71.97%
Total Expenses before taxes	\$ 16,002.3	\$ 15,764.3	↑ \$ 238.0	1.51%

Expenses in line with year to date budget

Under spending compared to budget for: Postage (\$127K), Service Contracts (\$22K) & Office supplies (\$47K), Communications (\$15K), C&I Interval Interrogation (\$21K), IT (\$26K) & Training (\$11K)

Admin O/H credit \$34K below budget; Labour credit \$9K below budget

LEAP & Forestry Grants over budget due to timing (budget normalization across 12 months)

OM&A expenses lower than budget

Amortization on computer equipment & software below budget \$76K

Interest higher than budget for BMO letter of credit \$2k, Smart Meter debt \$5K & OEB variance account interest \$3K higher than budget

Timing of projects - in line with YTD variance to budget for revenue

Total Expenses higher than budget

Tax:	\$ 510.0	\$ 462.3	↑ \$ 47.7	10.32%
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Net Income:	\$ 5,634.1	\$ 4,757.1	↑ \$ 877.1	18.44%
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Net Income is higher than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

July 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$ 22,156.0	\$ 22,762.1	\$ (606.1)	-2.66%
Other Revenue	\$ 1,208.4	\$ 919.3	\$ 289.2	31.45%
Non-utility - OPA	\$ 1,335.2	\$ 799.5	\$ 535.7	67.00%
	\$ 24,699.6	\$ 24,480.9	↑ \$ 218.7	0.89%
Expense:				
Distribution Operation & Maintenance	\$ 6,357.9	\$ 6,340.0	\$ 18.0	0.28%
Customer Accounts	\$ 1,937.1	\$ 2,234.8	\$ (297.7)	-13.32%
Administration	\$ 1,780.4	\$ 1,737.7	\$ 42.7	2.46%
Conservation & Community Relations	\$ 173.7	\$ 161.2	\$ 12.5	7.76%
Subtotal OM&A	\$ 10,249.0	\$ 10,473.6	↓ \$ (224.5)	-2.14%
Amortization	\$ 4,295.6	\$ 4,380.8	\$ (85.1)	-1.94%
Interest Expense	\$ 2,531.5	\$ 2,529.6	\$ 1.9	0.08%
Property & capital taxes	\$ 208.3	\$ 208.3	\$ -	0.00%
Energy Conservation - OPA Programs	\$ 1,307.6	\$ 799.5	\$ 508.1	63.55%
Total Expenses before taxes	\$ 18,592.1	\$ 18,391.7	↑ \$ 200.4	1.09%
Tax:				
	\$ 595.0	\$ 539.4	↑ \$ 55.7	10.32%
Net Income:	\$ 5,512.6	\$ 5,549.9	↓ \$ (37.3)	-0.67%

Residential sales up \$382K; General service revenue up \$346K, Unbilled revenue adjustment (\$1.4M)
Investment income up \$71K; Change of Occupancy Charges down (\$77K); Pole rental up \$205K;
Scrap sales up \$27K; Gain on asset disposal up \$40K
Timing of programs - in line with YTD variance to budget for expenses
Revenue is higher than budget

Expenses in line with year to date budget
Under spending compared to budget for: Postage (\$157K), Service Contracts (\$23K) & Office supplies (\$54K), Communications (\$8K), C&I Interval Interrogation (\$9K), IT (\$29K) & Training (\$11K)
Admin O/H credit \$34K below budget; IT charges \$11K below budget
LEAP & Forestry Grants over budget due to timing (budget normalization across 12 months)
OM&A expenses lower than budget
Amortization on computer equipment & software below budget \$84K
Timing of projects - in line with YTD variance to budget for revenue
Total Expenses higher than budget

Net Income is lower than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

August 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$ 25,351.6	\$ 26,013.9	\$ (662.3)	-2.55%
Other Revenue	\$ 1,339.5	\$ 1,050.6	\$ 288.9	27.50%
Non-utility - OPA	\$ 1,429.3	\$ 913.7	\$ 515.6	56.43%
	\$ 28,120.5	\$ 27,978.2	↑ \$ 142.3	0.51%
Expense:				
Distribution Operation & Maintenance	\$ 7,199.7	\$ 7,245.7	\$ (45.9)	-0.63%
Customer Accounts	\$ 2,254.6	\$ 2,554.0	\$ (299.4)	-11.72%
Administration	\$ 2,037.1	\$ 1,985.9	\$ 51.1	2.58%
Conservation & Community Relations	\$ 181.0	\$ 184.2	\$ (3.2)	-1.71%
Subtotal OM&A	\$ 11,672.4	\$ 11,969.8	↓ \$ (297.4)	-2.48%
Amortization	\$ 4,912.8	\$ 5,006.6	\$ (93.8)	-1.87%
Interest Expense	\$ 2,885.9	\$ 2,890.9	\$ (5.1)	-0.18%
Property & capital taxes	\$ 238.0	\$ 238.0	\$ -	0.00%
Energy Conservation - OPA Programs	\$ 1,396.0	\$ 913.7	\$ 482.3	52.78%
Total Expenses before taxes	\$ 21,105.0	\$ 21,019.1	↑ \$ 86.0	0.41%
Tax:				
	\$ 680.0	\$ 616.4	↑ \$ 63.6	10.32%
Net Income:	\$ 6,335.5	\$ 6,342.7	↓ \$ (7.3)	-0.11%

General service revenue up \$323K, Unbilled revenue adjustment (\$956K)
Investment income up \$80K; Change of Occupancy Charges down (\$71K); Pole rental up \$163K;
Scrap sales up \$48K; Gain on asset disposal up \$45K
Timing of programs - in line with YTD variance to budget for expenses
Revenue is higher than budget

Expenses in line with year to date budget
Under spending compared to budget for: Postage (\$170K), Service Contracts (\$23K) & Office
supplies (\$61K), Communications (\$9K), C&I Interval Interrogation (\$9K), IT (\$29K)
Admin O/H credit \$30K below budget; Salaries & burden \$8K higher than budget; ESA fees \$14K
higher than budget
YTD under-spending for school safety program
OM&A expenses lower than budget

Amortization on computer equipment & software below budget \$91K

Timing of projects - in line with YTD variance to budget for revenue
Total Expenses higher than budget

Net Income is lower than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

September 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$ 28,565.3	\$ 29,265.6	\$ (700.3)	-2.39%
Other Revenue	\$ 1,441.7	\$ 1,181.9	\$ 259.8	21.98%
Non-utility - OPA	\$ 1,623.7	\$ 1,028.0	\$ 595.8	57.96%
	\$ 31,630.8	\$ 31,475.5	↑ \$ 155.3	0.49%
Expense:				
Distribution Operation & Maintenance	\$ 7,953.2	\$ 8,151.4	\$ (198.1)	-2.43%
Customer Accounts	\$ 2,515.2	\$ 2,873.3	\$ (358.1)	-12.46%
Administration	\$ 2,238.5	\$ 2,234.2	\$ 4.3	0.19%
Conservation & Community Relations	\$ 223.3	\$ 207.2	\$ 16.1	7.77%
Subtotal OM&A	\$ 12,930.2	\$ 13,466.0	↓ \$ (535.8)	-3.98%
Amortization	\$ 5,527.7	\$ 5,632.4	\$ (104.7)	-1.86%
Interest Expense	\$ 3,241.5	\$ 3,252.3	\$ (10.8)	-0.33%
Property & capital taxes	\$ 261.2	\$ 267.8	\$ (6.6)	-2.45%
Energy Conservation - OPA Programs	\$ 1,566.4	\$ 1,028.0	\$ 538.5	52.38%
Total Expenses before taxes	\$ 23,527.0	\$ 23,646.5	↓ \$ (119.4)	-0.50%
Tax:				
	\$ 765.0	\$ 693.5	↑ \$ 71.6	10.32%
Net Income:	\$ 7,338.7	\$ 7,135.6	↑ \$ 203.2	2.85%

Residential service revenue up \$298K, General service revenue up \$413K, Unbilled revenue adjustment (\$1.4M)
Investment income up \$90K; Pole rental up \$121K; Scrap sales up \$38K
Timing of programs - in line with YTD variance to budget for expenses
Revenue is higher than budget

Inside salaries & payroll burden (\$194K)
Under spending compared to budget for: Postage (\$173K), Service Contracts (\$24K) & Office supplies (\$69K), C&I Interval Interrogation (\$22K), IT (\$32K), Training (\$15K)

Annual sponsorships as budgeted have been paid in full
OM&A expenses lower than budget

Amortization on computer equipment & software below budget \$101K

Timing of projects - in line with YTD variance to budget for revenue
Total Expenses lower than budget

Net Income is higher than budget

BUDGET - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Budget)

October 2014

	Actual 2014	Budget 2014	Var.	%
Revenue:				
Distribution Sales	\$ 31,381.2	\$ 32,517.3	\$ (1,136.2)	-3.49%
Other Revenue	\$ 1,542.1	\$ 1,313.3	\$ 228.8	17.42%
Non-utility - OPA	\$ 1,702.4	\$ 1,142.2	\$ 560.2	49.05%
	\$ 34,625.6	\$ 34,972.8	↓ \$ (347.1)	-0.99%
Expense:				
Distribution Operation & Maintenance	\$ 8,693.4	\$ 9,057.1	\$ (363.7)	-4.02%
Customer Accounts	\$ 2,753.8	\$ 3,192.5	\$ (438.7)	-13.74%
Administration	\$ 2,465.9	\$ 2,482.4	\$ (16.6)	-0.67%
Conservation & Community Relations	\$ 234.1	\$ 230.3	\$ 3.8	1.66%
Subtotal OM&A	\$ 14,147.1	\$ 14,962.3	↓ \$ (815.1)	-5.45%
Amortization	\$ 6,142.8	\$ 6,258.3	\$ (115.4)	-1.84%
Interest Expense	\$ 3,587.5	\$ 3,613.7	\$ (26.2)	-0.72%
Property & capital taxes	\$ 284.4	\$ 297.5	\$ (13.1)	-4.41%
Energy Conservation - OPA Programs	\$ 1,764.2	\$ 1,142.2	\$ 622.0	54.46%
Total Expenses before taxes	\$ 25,926.0	\$ 26,273.8	↓ \$ (347.8)	-1.32%
Tax:				
	\$ 672.7	\$ 770.5	↓ \$ (97.8)	-12.69%
Net Income:	\$ 8,026.9	\$ 7,928.4	↓ \$ 98.5	1.24%

Residential service revenue down (\$240K), General service revenue up \$280K, Unbilled revenue adjustment (\$1.2M)
Investment income up \$99K; Pole rental up \$79K; Scrap sales up \$28K; Late payment penalties up \$15K
Timing of programs - in line with YTD variance to budget for expenses
Revenue is in line with YTD budget

Inside salaries & payroll burden (\$251K); IT charges (\$106K)
Under spending compared to budget for: Postage (\$199K), Service Contracts (\$41K) & Office supplies (\$80K), C&I Interval Interrogation (\$22K), IT (\$38K), Training (\$15K); Outside labour (staff & contract) (\$17K)
IT spending (\$15K) less than budget
OM&A expenses lower than budget
Amortization on computer equipment & software below budget \$112K
Timing of projects - in line with YTD variance to budget for revenue
Total Expenses in line with YTD budget

Net Income is in line with YTD budget

FORECAST - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Forecast)

November 2014

	Actual 2014	Forecast 2014	Var.	%
Revenue:				
Distribution Sales	\$ 34,512.5	\$ 35,650.7	\$ (1,138.3)	-3.19%
Other Revenue	\$ 1,652.5	\$ 1,516.0	\$ 136.6	9.01%
Non-utility - OPA	\$ 1,856.4	\$ 2,021.8	\$ (165.4)	-8.18%
	\$ 38,021.4	\$ 39,188.5	↓ \$ (1,167.1)	-2.98%

Residential service revenue down (\$332K), Unbilled revenue adjustment (\$1.5M)
Pole rental up \$42K; Gain on disposal up \$75K; scrap sales up \$18K
Timing of programs
Revenue is 3% lower than YTD forecast

Expense:

Distribution Operation & Maintenance	\$ 9,542.5	\$ 9,693.2	\$ (150.7)	-1.55%
Customer Accounts	\$ 3,092.2	\$ 3,131.8	\$ (39.6)	-1.26%
Administration	\$ 2,775.0	\$ 2,697.8	\$ 77.1	2.86%
Conservation & Community Relations	\$ 241.1	\$ 242.1	\$ (0.9)	-0.39%
Subtotal OM&A	\$ 15,650.8	\$ 15,764.9	↓ \$ (114.1)	-0.72%
Amortization	\$ 6,855.9	\$ 6,706.2	\$ 149.8	2.23%
Interest Expense	\$ 3,939.2	\$ 3,942.9	\$ (3.7)	-0.09%
Property & capital taxes	\$ 307.6	\$ 303.3	\$ 4.3	1.40%
Energy Conservation - OPA Programs	\$ 1,941.2	\$ 1,367.3	\$ 573.9	41.98%
Total Expenses before taxes	\$ 28,694.8	\$ 28,084.6	↑ \$ 610.2	2.17%

Outside contract labour lower (\$55K); Admin O/H credit (\$48K); Engineering burden O/H credit (\$61K)
IT charges lower (\$20K); Service contracts lower (\$19K)

Retiree health & life insurance up \$176K offset against lower professional/legal/audit fees (\$48K), Admin O/H credit (\$24K), Department allocations (\$23K)

OM&A expenses are in-line with YTD forecast

Prior period amortization catch-up re: microfit board decision

Timing of projects

Total Expenses are 2% higher than YTD forecast

Tax:

	\$ 757.7	\$ 1,409.8	↓ \$ (652.1)	-46.25%
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Net Income:

	\$ 8,568.9	\$ 9,694.1	↓ \$ (1,125.2)	-11.61%
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Net Income is lower than YTD forecast

FORECAST - YTD Income Statement Variance Analysis (\$K)
(2014 Actuals vs 2014 Forecast)

December 2014

	Actual 2014	Forecast 2014	Var.	%
Revenue:				
Distribution Sales	\$ 38,141.3	\$ 38,891.7	\$ (750.4)	-1.93%
Other Revenue	\$ 1,809.3	\$ 1,653.8	\$ 155.5	9.40%
Non-utility - OPA	\$ 2,847.3	\$ 2,205.6	\$ 641.7	29.09%
	\$ 42,797.9	\$ 42,751.1	↑ \$ 46.8	0.11%

General service revenue down (\$123K), Unbilled revenue adjustment (\$614K)
Gain on disposal up \$94K; scrap sales up \$39K; AP discounts taken up \$12K
\$470K incentive
Revenue is in line with 2014 forecast

Expense:

Distribution Operation & Maintenance	\$ 10,144.8	\$ 10,574.4	\$ (429.6)	-4.06%
Customer Accounts	\$ 3,367.5	\$ 3,416.5	\$ (49.0)	-1.43%
Administration	\$ 2,859.6	\$ 2,943.1	\$ (83.5)	-2.84%
Conservation & Community Relations	\$ 251.3	\$ 264.1	\$ (12.8)	-4.84%
Subtotal OM&A	\$ 16,623.2	\$ 17,198.1	↓ \$ (574.9)	-3.34%
Amortization	\$ 7,058.5	\$ 7,315.8	\$ (257.3)	-3.52%
Interest Expense	\$ 4,331.3	\$ 4,301.3	\$ 30.0	0.70%
Property & capital taxes	\$ 348.9	\$ 330.9	\$ 18.0	5.45%
Energy Conservation - OPA Programs	\$ 2,263.3	\$ 1,491.6	\$ 771.7	51.73%
Total Expenses before taxes	\$ 30,625.3	\$ 30,637.7	↓ \$ (12.4)	-0.04%

Admin O/H credit (\$204K); Engineering burden O/H credit (\$107K); Inside salaries down (\$32K); Outside contract labour down (\$11K); IT charges down (\$10K)
Bad debts expense lower (\$71K); Inside salaries up \$27K; Office supplies up \$13K; Postage lower (\$11K)
Admin O/H credit (\$102K), Professional fees up \$27K; Legal fees lower (\$9K)
Use of annual funding
OM&A expenses are 3% lower than forecast

Plant dist'n amortization lower (\$262K) due to forecast based on \$1.8M higher additions than actually realized
Interest on LTD due to shareholder higher than forecast \$38K
Taxes owed to Wilmot Township higher than forecast re: assessment change for 185 Wilmot Centre Rd from residential to industrial (2012-2014 assessment)
Use of funding for program ending 2014
Total Expenses are in-line with forecast

Tax:	\$ 1,508.4	\$ 1,538.0	↓ \$ (29.6)	-1.92%
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Net Income:	\$ 10,664.1	\$ 10,575.4	↑ \$ 88.7	0.84%
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Net Income is higher than YTD forecast



Appendix 3 – 2017/2018 GSC Report

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GridSmartCity®

Building

Blocks

For

Collaborative

Leadership



GridSmartCity®

COOPERATIVE

Driving Energy Innovation and Efficiency

2017/18 REPORT

From Ontario's Long Term Energy Plan, Delivering Fairness and Choice, Province of Ontario, 2017

“ To meet the challenges of the future, LDCs may need to adopt more flexible and innovative approaches to service delivery than have been allowed in the past ... Many LDCs have entered into joint service agreements to improve customer service and reduce their operating, maintenance and administration costs. Organizations such as GridSmartCity...are examples of LDCs leading the way in these partnerships.

The GridSmartCity Cooperative is a partnership of 13 LDCs created to improve service to electricity customers by increasing the efficiencies of scale and scope within each of their operations. The partnership has reduced costs by having joint purchasing for services such as information technology, human resources and infrastructure procurement. ”

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4	Chair's Message
5	Deliverables
6	Size and Efficiencies
7	Membership & Service Areas
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12	Value Proposition
13	Our Community Connection
14	Five-Year Vision
15	Scorecard



GridSmartCity®

COOPERATIVE

Driving Energy Innovation and Efficiency

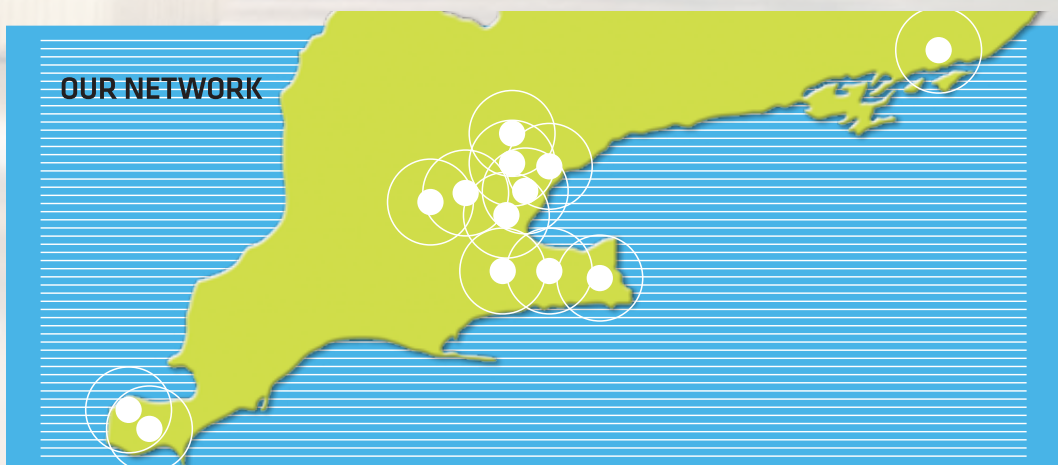
2017/18 REPORT

Building Blocks For Collaborative Leadership



The GridSmartCity® Cooperative bridges the need for innovation and infrastructure renewal, with the benefits of collaboration and cost efficiency. The 13-member local distribution companies (LDCs) that make up the Cooperative are an extension of GridSmartCity, one of Ontario's leading consortiums. Every GridSmartCity utility maintains independent ownership directly in the towns and cities in which they operate. LDC members share resources, insights and systems in several key areas that help run smarter companies, while advancing innovation, reliability and efficiency across Ontario's electricity grid.

OUR NETWORK



We draw our strength from our individual local distribution company members and the communities in which we operate. Collectively, we deliver electricity to over 683,300 customers.

Message

From

The

Chair

The GridSmartCity Cooperative focuses on fostering relationships that naturally encourage synergies and contribute to the shared desire to work together to build strong, sustainable communities. It's not only a vibrant approach to addressing customer priorities, but a means of achieving efficiencies and innovation to support business success for our LDC members.

The business adage that the 'whole is greater than the sum of its parts' provides insight into the advantages a cooperative model offers - leveraging resources and aligning practices that will reap the greatest benefit for its members.

Over the past 18 months, we have continued to develop and shape a network of opportunity. Our collective efforts are creating the building blocks that will secure a strong and lasting foundation. Importantly, it's an effort characterized by full member participation and strengthened by common goals. Our vision propels the GridSmartCity Cooperative as a sector leader in shared service provision, as thought leaders and innovators setting the standard in grid modernization, and establishing supply chain and inventory management in the industry marketplace, among others.

This report features highlights of our collective efforts over the past year, and sets the tone for future endeavours. Whether it's our partnership with McMaster University's Integrated Community Energy (ICE) and Harvesting System project; quantifying and reporting on joint supply chain savings and tendering opportunities; or the creation of new committees to address cyber security and customer engagement challenges; we've engaged on a wide range of activities to support our core deliverables - or primary building blocks - of innovation, community focus, collaboration, and efficiency.



A stylized, handwritten signature in white ink that reads "J. Van Ooteghem".

Jerry Van Ooteghem, Chair

(President and CEO, Kitchener-Wilmot Hydro Inc.)





4

KEY DELIVERABLES

FORM THE BASIS OF OUR COLLECTIVE EFFORTS



INNOVATION

Implement innovative solutions for the benefit of our customers, shareholders and the communities we serve.

COMMUNITY FOCUS

Leverage our local ownership and proximity to the customer to set the gold standard for service, reliability and responsiveness. Help build strong sustainable communities.

COLLABORATION

Work together to achieve scale efficiencies and purchasing power, while maintaining individual autonomy.

EFFICIENCY

Increase efficiency and reduce operating costs in our 13 customer regions, while modernizing the electricity grid to the benefit of Ontario as a whole.



GridSmartCity[®]
COOPERATIVE
Driving Energy Innovation and Efficiency

The GridSmartCity Cooperative is a leader in Ontario's electricity sector, by size and performance, and has a clear trajectory to achieve even greater efficiencies, to lead sector innovation, and to maintain high levels of customer satisfaction and approval.

Top Four Ontario LDCs By Size – Approximate # of Customers

Hydro One	1,307,000 customers
Alectra	1,000,000 customers
Toronto Hydro	763,000 customers
GridSmartCity Cooperative	683,000 customers

OPERATIONS, MAINTENANCE AND ADMINISTRATION (OM&A)

Comparing OM&A cost per customer provides an important perspective of utility efficiency and reinforces the strength of the GridSmartCity model. The OM&A per customer is in the top quartile of non-GSC utilities.

COST PER CUSTOMER COMPARISONS

Average Ontario LDC OM&A* \$317
2017 GSC Cooperative OM&A \$262

*Based on 2016 OEB Yearbook published statistics

GSC Cooperative LDC	Customer Count*	Service Territory
Brantford Power Inc.	39,622	City of Brantford
Burlington Hydro Inc.	67,122	City of Burlington
Energy+ Inc.	65,358	City of Cambridge, Twp N Dumfries & Brant County
ENWIN Utilities Ltd.	88,721	City of Windsor
Essex Powerlines Corp.	32,893	Amherstburg, LaSalle, Leamington & Tecumseh
Halton Hills Hydro Inc.	22,195	Town of Halton Hills
Kingston Hydro Corp.	27,582	Central Kingston, Canadian Forces Base Kingston and parts of Barriefield Village
Kitchener-Wilmot Hydro Inc.	95,757	City of Kitchener & Township of Wilmot
Milton Hydro Distribution Inc.	37,893	Town of Milton
Niagara Peninsula Energy Inc.	54,918	City of Niagara Falls, Town of Lincoln, Town of Pelham & Township of West Lincoln
Oakville Hydro Electricity Distribution Inc.	70,491	Town of Oakville
Waterloo North Hydro Inc.	57,007	City of Waterloo, Townships of Wellesley and Woolwich
Welland Hydro Electric System Inc.	23,770	City of Welland
Total Customers: 683,329		

*As of December 31, 2017

Cooperative LDCs collectively represent a service area of 3,865 square kilometres with a total of 16,160 kilometres of power lines.

The average EFFICIENCY RANKING for cooperative utilities is 2.7 which is better than expected costs for LDCs in Ontario.



2017

Successes

Ontario LDCs have an accomplished track record of collaboration. It is one of the strongest virtues in the sector.

The GridSmartCity Cooperative builds on this attribute with a formalized entity, objectives and measures. It's a formula that is fundamental to delivering on our mission to provide a compelling alternative to consolidation.

Sharing best practices and the active exchange of information and resources is the driving force of the GridSmartCity Cooperative. A strong foundation has been established, with strong early efficiency returns and opportunities to build on these savings.

Our committees are placing emphasis on the areas where the highest net savings and efficiency gains are anticipated. Progress has been made on a number of important files over the past year.

MATERIAL STANDARDIZATION AND SUPPLY CHAIN

A series of common specifications for distribution equipment and materials was developed in 2017 for:

- Distribution Transformers
- Underground Primary and Secondary Cable
- Pole Mounted Transformers
- Single and 3-Phase Padmounted Transformers

This collective effort is creating effective inventory management and opening opportunities for cooperative purchasing and shared consignment inventory arrangements with suppliers.

Savings have been quantified and reported for initial RFPs for poles, cables and wires, and transformers. Long-term agreements are being made with key vendors.

Estimated savings after Memorandums of Understanding (MOUs) are in place:

	Current Estimated Annual Expense	Estimated Annual Savings	Improvement
Wood Poles	\$2,636,393	\$165,558	6.28%
Cables & Wires	\$6,226,605	\$297,547	4.78%
Transformers	\$6,641,705	\$59,840	0.90%
Total	\$15,504,703	\$522,945	3.37%



DRIVING ENERGY INNOVATION & EFFICIENCY

CYBER SECURITY

The Cyber Security sub-committee seeks to stay several steps ahead of security challenges by identifying priority issues and collaborating on potential guidelines and strategies. In 2017:

- Developed Volume Purchase Agreements (VPA) for our members to assist with the contracting of Managed Security Providers in order to respond to the OEB Cyber Security Framework (CSF)
- Many members of GridSmartCity are key players in the development of the OEB Cyber Security Framework and are members of the Cyber Security Working Group

The Cyber Security Sub-committee is a joint committee with the Utilities Standards Forum (USF).

HUMAN RESOURCES

This committee focused on identifying synergies for employee engagement and internal surveys; shared services, including safety resources and development of a joint strategies. Some of these joint activities included:

- Developing and collaborating on a strategy to deal with the implications of the Bill 148 – Fair Workplaces, Better Jobs Act, 2017 Employment Standards Act changes; Labour Relations Guidelines; and disability management Medical/Physician retainer. Savings from these collaboration efforts are expected to be close to \$200,000.
- Establishing a Health Benefits subcommittee which is evaluating the merits of another joint consortium to take our Benefit plans to market. Expected savings could be around 10-20% across all partners with expected results to be ready for early 2019. Earlier undertakings in 2013 on joint employee benefits resulted in savings close to \$950,000.
- Securing joint pricing on a HR resource to be used across all partners. Approximately \$25,000 in realized savings from the joint venture occurred across all partners.

COMMUNICATIONS

Focusing on issues/activities relating to collective communication needs and pursuing synergies and cost efficiencies where it's practical, are central themes of the collaborative efforts in communications.

- Sharing of best practices and identifying collective areas of focus
- GridSmartCity Cooperative Blueprint Report for internal and external stakeholders
- Brand standards developed and incorporated by members (i.e. cooperative showcased on LDC member websites, internal presentations, etc.)
- Updated GridSmartCity website with new LDC-member features; and, Value-add services to supplement customer and safety surveys, including additional survey questions on Electrical Safety Awareness survey for the collective benefit of members

INNOVATION & NEW TECHNOLOGIES

The New Technology sub-committee focuses on a wide range of opportunities and challenges in the electricity supply sector, which includes:

- Micro-grid demonstration projects which are being evaluated by sub-committee and all members
- A GridSmartCity Electric Vehicle (EV) demonstration project with EV chargers across the membership has been proposed to the Ministry of Transportation



Collaborative academic/industry partnerships are an essential ingredient in research and development. Learn more about the our cooperative's involvement with McMaster University's ICE-Harvest Project (see pages 10 and 11).

A Unique Project To Lower GHG Emissions

ACADEMIC COLLABORATION IS A KEY FOCUS AREA OF THE COOPERATIVE

McMaster University's Institute of Energy Studies, in collaboration with the GSC Cooperative, submitted a grant application to the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Ontario Centres of Excellence (OCE) for a research project to study integrated community energy and harvesting systems.

McMaster University ultimately received \$2.7 million in funding to support leading energy system research for its Integrated Community Energy (ICE) Harvesting System Project. The Ministry of the Environment and Climate Change made the announcement in December 2017 as part of its unveiling of the first recipients of TargetGHG programs through the Ontario Green Investment Fund.

ICE Harvest Systems integrate the benefits of peaking power plants with advanced combined heat and power plants, distributed within a community and connected in a micro-thermal grid to power, heat and cool buildings in an economic and carbon-reduced way. The McMaster team is creating a test facility which will act as a hybrid system, taking advantage of the fossil fuel free baseload energy grid with a facility which is able to deliver thermal and electrical energy while managing the peak electrical demand on the university campus. This robust system has the flexibility to accommodate renewable energy sources and future technologies.

Importantly, the ICE Harvest project promotes a vision of more sustainable communities who are able to produce, utilize and manage their own energy systems – a vision that is compatible with the Cooperative's focus on innovation and creating energy networks of the future.

A highlight of this unique project is its modular, three-size solution, complete with common components that are scalable to communities of varying sizes. In addition:

- By embedding small-scale natural gas generation into intensified demand areas such as grocery stores, big box outlets, mobility hubs, community campuses and multi-use buildings, it will be possible to meet peak electricity needs while harvesting 60% of the "waste" heat-energy.
- An Energy Management Centre which includes a CHP system, thermal storage, heat pumps and absorption chillers can supply heating, cooling and electricity and distribute thermal energy through a micro-thermal grid, allowing owners to become complete energy providers.
- By fully utilizing the energy content of the fossil fuels for both heat and electricity, the overall effect of lower GHG emissions is achieved without losing available heat and electricity.

This model provides solutions that are economically and technically feasible, adaptable, resilient and effective in making a significant impact on GHG emissions. The GridSmartCity Cooperative continues to work with the McMaster team to promote the research project, including an event to showcase the initiative in the fall of 2018 at the university campus' Gerald Hatch Centre for Engineering Learning/Energy Management Centre.

The project is led by McMaster University, in cooperation with Carleton University and in partnership with the GridSmartCity Cooperative and other industry partners that include Siemens Canada (a GSC Corporate Partner), S2E Technologies, HCE Energy and GeoSource Energy.



- Energy Transfer Station
- Community Buildings - Arena, Pool, Community Centre
- Electricity Generation
- Electricity Storage
- Thermal Energy Generation
- Thermal Energy Storage
- Underground Geothermal Seasonal Energy Storage

The EMC will plug into various components of the community. As well as those shown at right, other sample building types can include:



THE VISION

EMC

Integrated Community Energy and Harvesting System (ICE)

ENERGY MANAGEMENT CENTRE



GROWTH POTENTIAL The ICE-Harvest system presents a number of potential advantages for LDCs

- Maximize the capacity factor of existing distribution assets
- Possibility for a new revenue stream as 'Complete Energy Providers'
- Resiliency services to sensitive industries and commercial enterprises
- Provide Heating and Cooling from inexpensive excess thermal energy sources such as Combined Cooling, Heat and Power (CCHP) and industrial sources
- Distributed energy resources with demand management capabilities to provide voltage/frequency services with demand response services
- Take advantage of low hourly Ontario energy prices
- Leverage Energy Harvesting market by capturing inexpensive, waste thermal energy
- Due to modularity, the system is able to grow as an increase in demand is adjusted through the simple integration of extra modules to increase load demand, allowing for a built-in mitigation of risk as initial overbuilding is avoided
- Future renewable technology integration could make the system carbon neutral. ICE Harvest is a long-term infrastructure investment that can evolve as innovative technologies hit the market

Value

Proposition

Ontario's policy makers at all levels are aware of the need to manage rising electricity prices while preparing the electricity system for future innovation.

The GridSmartCity Cooperative focuses on achieving cost benefits for its customers by pursuing economies of scale, efficiencies and effectiveness through collaboration and collective purchasing power.

It's a business model that provides our LDC partners with greater opportunities to collaborate and share knowledge, skills and expertise – with the goal of improving the quality of services, providing access to better products, and generally enhancing the effectiveness of service delivery and operational innovation.

Importantly, our approach aligns with the provincial government's desire for Ontario's LDCs to find ways to achieve greater efficiencies of scale and scope in their operations in order to provide cost benefits to electricity customers. The GSC Cooperative is a concrete example that a viable and successful alternative to large scale consolidation in Ontario's electricity distribution sector already thrives in the province.

The GridSmartCity Cooperative has the means to pursue efficiencies and service improvements, the same as an incorporated company, but with the added advantage of being able to pool member knowledge and resources, while maintaining long-standing and trusted relationships within their communities and with their customers.



GridSmartCity®

COOPERATIVE

Driving Energy Innovation and Efficiency

The Power of Our Community Connection

Autonomous
local control

Accountable
and accessible

Community
focus -
responsive to
local needs

Best-in-class
delivery using
innovative
technologies

Collaboration
with
commercial
stakeholders

The GridSmartCity Cooperative model celebrates the advantages and inherent value of maintaining identities as community-based companies. It fosters a relationship that naturally encourages synergies with local governments and contributes to the shared desire to work together to build strong, sustainable communities. It's not only a vibrant approach to addressing customer priorities, it's a means of achieving efficiencies and innovation.

7 INHERENT BENEFITS

1. Municipal Value
2. Local Care
3. Responsiveness
4. Local Grid Insight
5. Regional Employment
6. Direct Access
7. Philanthropy

THE POWER OF INDUSTRY PARTNERSHIPS

Established in 2009, the GridSmartCity Consortium builds on our core membership of LDCs with 17 additional industry partners:

• Black & McDonald • Electrical Safety Authority • Honeywell • The Independent Electricity System Operator (IESO) • K-Line Group • Lightworks • McMaster University • Mohawk College • NBM Engineering • Oakville Enterprises Corporation (OEC) • Olameter • Plug'nDrive • S&C Electric • Siemens • TD Commercial Banking • Union Gas • University of Waterloo

The group's focus is on productivity and efficiency improvements; advancements in smart grids; piloting new technologies; and community energy planning. Our partners are key to delivering innovative solutions for the Cooperative, assisting member LDCs in achieving productivity and efficiency improvements, and the integration and deployment of new technologies.

The Building Blocks of Success

OUR FIVE-YEAR VISION

- 1 To be collectively regarded as thought leaders by the Ontario Energy Board and policy makers in the Province of Ontario as a viable alternative to forced mergers.
- 2 To set the standard in grid modernization, including piloting new technology initiatives with commercial GSC members
- 3 To be known as the sector leader for shared service provision of back office and administrative services, such as conservation, customer service and regulatory support.

The GridSmartCity Cooperative provides access to expertise, resources and scale, in order to provide value to customers, manage delivery costs effectively, and - as thought leaders - to prepare for future business models and technology changes in the energy sector.

Our specialized committees continue to place emphasis on the areas where the highest net savings and efficiency gains are anticipated.



4

To implement common software platforms for billing, regulatory, engineering standards, common inventory, and Customer Information Systems (CIS), among others.

5

To establish supply chain and inventory management in the industry marketplace.

6

To achieve best quartile for controllable costs per customer (savings >\$50/customer).

GRIDSMARTCITY COOPERATIVE SCORECARD

Collectively, the GridSmartCity Cooperative is already well regarded as a thought leader in the province's electricity sector. In 2017, and for the first time, the Government of Ontario recognized the GridSmartCity cooperative model as a viable alternative to large scale consolidation. The government has asked the Ontario Energy Board "to explore ways of facilitating these partnerships where they make economic sense."

SETTING THE STANDARD

The cooperative model celebrates the advantages and inherent value of maintaining identities as community-based companies. It fosters a relationship that naturally encourages synergies with local governments and contributes to the shared desire to work together to build strong, sustainable communities. It's not only a vibrant approach to addressing customer priorities, it's a means of achieving efficiencies and innovation.

- ☒ Cost savings from GSC Initiatives
- ☒ Recognized as thought leaders in the industry
- ☒ Shared back-office systems
- ☒ Technology projects implemented
- ☒ Evidence of supply chain effectiveness
- ☒ Best in class assessment
- ☒ Shared service presence
- ☒ Shared software platforms



VISIT gridsmartcity.com/cooperative



Appendix 4 – KPC Shareholder Agreement

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KITCHENER POWER CORP.

SHAREHOLDERS AGREEMENT

BORDEN LADNER GERVAIS LLP

SHAREHOLDERS AGREEMENT

THIS AGREEMENT made as of the 1st day of August, 2000.

B E T W E E N:

The Corporation of the City of Kitchener, a municipal corporation
existing under the laws of Ontario

("Kitchener")

- and -

The Corporation of the Township of Wilmot, a municipal
corporation existing under the laws of Ontario

("Wilmot")

- and -

Kitchener Power Corp., a corporation existing under the laws of
Ontario

(the "Corporation")

Recitals:

1. The Corporation is a corporation existing under the laws of Ontario;
2. The authorized capital of the Corporation consists of an unlimited number of Shares of which 20,000 are issued and outstanding as fully paid and non-assessable;
3. Kitchener and Wilmot are the sole registered and beneficial shareholders of the Corporation holding the following numbers of Shares, respectively:

<u>NAME OF SHAREHOLDER</u>	<u>NUMBER OF SHARES</u>	<u>PERCENTAGE OF TOTAL</u>
Kitchener	18,450	92.25%
Wilmot	<u>1,550</u>	<u>7.75%</u>
TOTALS	20,000	100%

4. The parties wish to enter into this Agreement to provide for the conduct of certain affairs of the Corporation, to provide for certain restrictions on the transfer and ownership of Shares in the capital of the Corporation, and to govern the mutual rights and obligations of the Shareholders with respect to the Corporation and each other Shareholder;

NOW THEREFORE in consideration of the premises, the mutual promises herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) each of the parties agrees with each other party as follows:

ARTICLE I

FUNDAMENTAL PRINCIPLES

1.1 *Definitions and Interpretation*

The definitions set out in Schedule "A" hereto are incorporated by reference and are a part of the Agreement.

1.2 *Purpose of Agreement*

This Agreement outlines the expectations of the Shareholders relating to the principles of governance and other fundamental principles and policies of the Corporations and the dealings between the Shareholders.

1.3 *Shareholder Expectations*

The Shareholders expect that the Board will establish policies to:

- (a) develop and maintain a prudent financial and capitalization structure for the Corporation and its Subsidiaries consistent with industry norms and sound financial principles and established on the basis that the Corporation and its Subsidiaries are intended to be self-financing entities;
- (b) establish just and reasonable rates for the regulated distribution business of the Corporation, or any of its Subsidiaries, which are:
 - (i) consistent with similar utilities in comparable growth areas and as may be permitted under the Energy Board Act;
 - (ii) intended to enhance the value of the Corporation and its Subsidiaries; and
 - (iii) consistent with the strategic plan for economic development and activity within the Corporation's service territory;
- (c) provide the Shareholders with a reasonable return:
 - (i) comparable to the return received by other similar municipalities as permitted by the OEB pursuant to the Energy Board Act;
 - (ii) through the payment of dividends, interest or otherwise; and
 - (iii) consistent with a prudent financial and capitalization structure and maintaining just and reasonable rates;
- (d) manage all risks related to the business conducted by the Corporation and its Subsidiaries, through the adoption of appropriate risk management strategies and internal controls consistent with industry norms; and

- (e) develop a long range strategic plan for the Corporation and its Subsidiaries which is consistent with the maintenance of a viable, competitive business and preserves the value of the business.

1.4 ***Business of the Corporation***

The Corporation or one or more Subsidiaries of the Corporation may engage in the following business activities and such other business activities as may be permitted by Law and authorized by the Board from time to time:

- (a) transmitting or distributing electricity;
- (b) owning and/or operating an electricity generation facility;
- (c) retailing electricity;
- (d) distributing or retailing gas or any other energy product which is carried through pipes or wires to the user;
- (e) business activities that enhance or develop the ability of the Corporation to carry on any of the activities described in paragraphs (a), (b), (c) or (d) above;
- (f) business activities the principal purpose of which is to use more effectively the assets of the Corporation, including providing meter installation and reading services, providing billing services and business activities in the telecommunications area;
- (g) renting, selling or maintaining equipment and appliances, including without limitation, hot water heaters;
- (h) managing or operating, on behalf of a Shareholder, the provision of a public utility as defined in Section 1 of the *Public Utilities Act* or sewage services; and
- (i) providing services related to improving energy efficiency.

In so doing, the Corporations shall conform to all requirements of applicable Governmental Authorities.

1.5 *Standards of Governance*

The Shareholders expect the Board to observe substantially the same standards of corporate governance as may be established from time to time by the Toronto Stock Exchange, an excerpt of which is attached to this Agreement as Schedule "B", or any other applicable regulatory or governmental authority in Canada for publicly traded corporations, with any appropriate modification to reflect the fact that the Corporation is not itself a public corporation.

ARTICLE II BOARD OF DIRECTORS OF THE CORPORATION

2.1 *The Board*

- (a) **Shareholder Action.** Each of the Shareholders agree to elect as members of the Board the nominees put forward by the other Shareholder from time to time.
- (b) **The Board.** The business and affairs of the Corporation shall be managed or supervised by the Board which shall initially consist of 7 directors or such other number of directors as the Shareholders may determine from time to time by special resolution in accordance with the Act. The President and Chief Executive Officer of the Corporation shall be a director of the Corporation.

Each of the Shareholders shall nominate the number of members to the Board listed opposite that Shareholder's name below:

<u>Number of Directors</u>	<u>Nominee of</u>
5	City of Kitchener
1	Township of Wilmot

- (c) **Term of Directors.** Each director shall serve for a term of one (1) year, except that the initial board of directors shall serve for a term ending December 31, 2001.

Directors may serve for successive terms in the discretion of their nominating Shareholders. No director may serve for more than 6 consecutive terms subject to a Shareholder's right to waive this limitation in its discretion.

(d) **Mayors to be Directors.**

As long as a Municipality is a Shareholder, the Mayor of such Municipality or an individual designated by such Mayor shall be a member of the Board and shall be included in the number of nominees for each Shareholder as set out in Subsection 2.1(b).

(e) **Qualification of Directors.**

- (i) In addition to independence of judgment and integrity, the qualifications of candidates for the Board of Directors may include:
 - (a) business experience;
 - (b) experience on boards of significant corporations;
 - (c) financial, legal, accounting and/or marketing experience;
 - (d) industry knowledge;
 - (e) experience with Kitchener-Wilmot Hydro-Electric Commission; and
 - (f) knowledge of public policy issues relating to the Corporation.
- (ii) Preference shall be given to qualified candidates for the Board who reside, work or own property in the City of Kitchener.
- (iii) In selecting directors, following the expiry of the term of the initial Board, the Shareholder shall consider candidates nominated by the nominating committee of the Board (the "Nominating Committee"), but shall not be obliged to select such candidates. It is expected that the Nominating

Committee will develop a process to identify and evaluate potential Board candidates in order to recommend a slate of candidates acceptable to the Shareholder.

(f) **Committees of the Board.**

The Board may establish committees of the Board in the Board's discretion. It is anticipated that the Board will establish the following committees:

- (a) Audit and Finance Committee to review financial results;
- (b) Compensation Committee to determine senior management and directors' compensation; and
- (c) Nominating Committee to identify, evaluate and recommend Board candidates to the Shareholder.

(g) **Compensation.** The Board of Directors may establish compensation for directors in an amount sufficient to attract directors with necessary qualifications, recognizing Shareholder guidelines, if any.

(h) **Decisions of the Directors.** Decisions or resolutions of the Board shall require the approval of a simple majority of the directors present at each meeting thereof. The Chair shall not have a second or casting vote. A resolution in writing signed by all of the directors entitled to vote on that resolution at a meeting of the Board is as valid as if it had been passed at a meeting of the Board.

(i) **Board Duties.** Subject to those matters requiring Shareholder approval as set out in Section 3.4 hereof, the Board shall supervise the management of the business and affairs of the Corporation and, without limiting the generality of the foregoing, the Board shall be responsible for, but not limited to, overseeing the following specific matters:

- (i) the establishment of appropriate reserves and a dividend policy consistent with sound financial principles, all with the intention of providing the

Shareholders with a reasonable rate of return on their investment while maintaining reasonable rates for customers; and

- (ii) declaration of any dividend or distribution of capital in respect of the Shares.

2.2 *Subsidiaries*

The Board may, in its discretion, and as may be required by Law, determine to incorporate one or more Subsidiaries for the purpose of carrying on any of the Businesses specified in Section 1.4. The Board of directors of any such Subsidiary shall be determined by the Board in accordance with the criteria set out in Section 2.1(e) hereof.

ARTICLE III SHAREHOLDERS OF THE CORPORATION

3.1 *Shareholders' Meetings*

A quorum for a meeting of the Shareholders shall be at least two individuals representing, by proxy or as otherwise permitted by the Act, a majority of the Shares then issued and outstanding. A meeting shall be adjourned for lack of a quorum and a notice of the adjourned meeting shall be sent to the Shareholders rescheduling the meeting to a date at least seven (7) days following the original meeting.

3.2 *Regular Shareholders Meetings*

(a) *Annual Meeting*

- (i) As long as a Municipality is a Shareholder, within 6 months after the end of each fiscal year, the Board shall report to a public meeting of Council of such Municipality and provide such information concerning the Corporation and its Subsidiaries as the Board considers appropriate.
- (ii) Kitchener shall annually, at a meeting of its Council, consider candidates for the Board as proposed by the Nominating Committee and the appointment

of the auditors of the Corporation and receive the audited financial statements of the Corporation for the last completed fiscal year.

- (iii) Within 6 months after the end of each fiscal year, the Shareholders, by resolution in writing signed by the Shareholder Representatives, shall elect the members of the Board and appoint the auditors for the Corporation and complete such other business as would normally be completed at an annual meeting of shareholders under the Act.

In addition to the annual meeting described in this Subsection 3.2, the Board shall report to the Councils of the Municipalities on major business developments or materially adverse results as appropriate, but no less than once a year, and such reports may be received by each of the Shareholders at *in camera* sessions of its respective Council.

3.3 *Shareholder Representative of Municipalities*

- (a) This Section 3.3 applies only to each Shareholder which is a Municipality.
- (b) At least 30 Business Days prior to the commencement of each Fiscal Year, and thereafter, from time to time, each Shareholder shall designate the Mayor or such other individual as the Mayor may designate as the legal representative of that Shareholder (the "Shareholder Representative") for purposes of providing any consent or approval required by this Agreement or by the Act. A Shareholder may designate its Shareholder Representative or any other individual (by proxy duly completed in accordance with the Act) as its representative to attend and vote at any meeting of Shareholders. Approvals or decisions of any Shareholder required pursuant to this Agreement shall require a resolution or by-law passed by the Council of that Shareholder.

3.4 *Matters Requiring Shareholder Approval*

- (a) The Shareholders agree that without the approval of Shareholders given in accordance with Subsection 3.4(b), the Corporation shall not:
 - (i) amend its articles (within the meaning of the Act) or enact, revoke, or amend any by-law;
 - (ii) issue, or enter into any agreement to issue, any shares of the Corporation of any class, or any securities convertible into any shares of any class, or grant any option or other right to purchase any such shares or securities convertible into such shares;
 - (iii) redeem, purchase for cancellation or otherwise retire any of its outstanding Shares;
 - (iv) sell assets of the Corporation or of a Subsidiary or purchase assets with an aggregate value equal to or greater than 10% of the consolidated book value of all the assets of the Corporation and its Subsidiaries such book value to be determined based upon the most recent audited consolidated financial statements of the Corporation;
 - (v) enter into any contracts, commitments or transactions, excluding the Shareholders' Debt, that would increase the Debt/Equity Ratio of the Corporation to greater than 55% Debt to 45% Equity of the consolidated book value of the Corporation and its Subsidiaries, such book value to be determined based upon the most recent audited consolidated financial statements of the Corporation;
 - (vi) grant security for or guarantee, or otherwise become liable for any debt, liability or obligation of any Person other than the Corporation or a Subsidiary;
 - (vii) take or institute the proceedings for any winding up, reorganization or dissolution of the Corporation;

- (viii) make any decision that would materially adversely affect the tax or regulatory status of the Corporation or any of its Subsidiaries;
 - (ix) materially alter the nature or geographic extent of the business of the Corporation or any of its Subsidiaries in a manner which would have a financial impact equal to or greater than 10% of the consolidated book value of all assets of the Corporation and its Subsidiaries, such book value to be determined based upon the most recent audited consolidated financial statements of the Corporation;
 - (x) enter into any amalgamation, (except for such amalgamations with or between Subsidiaries which may be authorized by resolution of directors pursuant to the Act) arrangement or consolidation;
 - (xi) apply to continue as a corporation under the laws of another jurisdiction; or
 - (xii) enter into any joint venture, partnership, strategic alliance or other venture including ventures in respect of the generation or cogeneration of electricity, which would require an investment or which would have a financial impact equal to or greater than 10% of the consolidated book value of all of the assets of the Corporation and its Subsidiaries; such book value to be determined based upon the most recent audited consolidated financial statements of the Corporation.
- (b) All approvals, decisions or resolutions of the Shareholders shall require the approval of Shareholders holding a majority of the issued and outstanding Shares of the Corporation.

3.5 *Unanimous Shareholder Agreement*

Each of the Shareholders acknowledges that this Agreement is intended to operate as a unanimous shareholder agreement with respect to the Corporation within the meaning of the Act. Pursuant to Section 108(2) of the Act, the discretion and powers of the Board to manage or supervise

the management of the business and affairs of the Corporation are hereby restricted to the extent of the provisions of Section 3.4 of this Agreement.

ARTICLE IV TRANSFER OF SHARES

4.1 *General Restriction on Transfer*

Save and except for transfers made pursuant to and in accordance with Sections 4.3, 4.4 and 4.5 of this Agreement, no Shares, nor the whole or any part of any right, title, benefit or interest therein or thereto, may be sold, transferred, assigned, made subject to any Encumbrance or otherwise disposed of. No Shareholder shall be entitled to create or grant an Encumbrance on its Shares.

4.2 *Legend on Shares*

All share certificates representing Shares of the Corporation shall bear on their face the following notation:

"The shares represented by this certificate are subject to the provisions of the Shareholders Agreement made as of August 1, 2000 among all of the shareholders of the Corporation as at that date, which agreement contains restrictions on the right to sell, transfer, pledge, mortgage, assign, vote or otherwise deal with or encumber such shares. Notice of such restrictions and the other provisions of such agreement is hereby given. A copy of such agreement is available for inspection from the Secretary of the Corporation on request."

4.3 *Rights of First Refusal*

If any Shareholder (in this Article IV called the "Selling Shareholder") wishes to sell all or part of its Shares to a Person with whom it deals at Arm's Length, the other Shareholder (in this Article IV called the "Other Holder") shall have the prior right to purchase such Shares in accordance with the following provisions:

- (a) **Notice of Offer.** A Selling Shareholder shall give to the Secretary of the Corporation and to the Other Holder notice in writing of its desired intention to sell all or part of its Shares (in this Article IV called the "Offered Shares"). The notice (in this Article IV called the "Selling Notice") shall have annexed thereto a true copy of the offer, agreement or similar document (the "Offer") containing the terms and conditions pursuant to which the Selling Shareholder wishes to sell the Offered Shares to the prospective purchaser (in this Article IV called the "Prospective Purchaser"), who shall be identified, and the price and terms of payment which the Selling Shareholder is willing to accept for the Offered Shares which shall be the same as set forth in the Offer;
- (b) **Offer Open During Notice Period.** The Secretary of the Corporation shall thereupon be deemed to be the agent of the Selling Shareholder for the purposes of offering the Offered Shares to the Other Holder on the terms of payment and for the price contained in the Selling Notice and the offer by the Secretary shall be irrevocable and remain open for acceptance, as hereinafter provided, for a period of 90 days (in this Article IV called the "Notice Period") after receipt of the Selling Notice by the Secretary;
- (c) **Acceptance of Offer.** Within 15 Business Days after receipt of the Selling Notice by the Secretary, the Secretary shall offer the Offered Shares for sale to the Other Holder. The offer by the Secretary shall state that the Other Holder desiring to purchase the Offered Shares shall indicate in its notice to the Secretary (in this Article IV called the "Purchase Notice") that it will purchase all of the Offered Shares. If, within the Notice Period, a Purchase Notice has not been received by the Secretary of the Corporation from an Other Holder, such Other Holder shall be deemed to have declined to purchase the Offered Shares being offered;
- (d) **Sale.** If all, but not less than all, of the Offered Shares are accepted by the Other Holder pursuant to the provisions of this Section 4.3, the Offered Shares shall be sold to the Other Holder for the price and for the terms contained in the Selling Notice;
- (e) **Deemed Refusal.** If a Purchase Notice has not been received by the Secretary in respect of the Offered Shares within the Notice Period, the Other Holder shall be deemed to have declined to purchase the Offered Shares and, subject to the

provisions of paragraph (f), the Selling Shareholder may, within 60 days after the expiration of the Notice Period, sell all, but not less than all, of the Offered Shares to the Prospective Purchaser at the price and upon terms of payment which are not more favourable than those specified in the Selling Notice; and

- (f) **Prospective Purchaser Bound.** The Selling Shareholder shall sell the Offered Shares to a Person who is not a party hereto only if such other Person simultaneously with any such sale executes and delivers to the other parties hereto a counterpart of this Agreement in which case such Person shall have the same rights, subject to section 5.3 of this Agreement, and shall be subject to the same obligations as a party to this Agreement as if it were an original signatory in place of the Selling Shareholder or its predecessor in title originally party to this Agreement, as applicable, including, but not limited to, any rights or obligations associated with any debt of the Corporations held by the Selling Shareholder.

4.4 ***Piggyback Right***

In the event a Selling Shareholder receives an Offer and, in accordance with the procedures set forth in Section 4.3, the Other Holder declines to purchase the Offered Shares from the Selling Shareholder, then the Other Holder shall have the right to require that all, or part of its Shares be sold to the Prospective Purchaser, on the same terms and conditions as those set out in the Offer; provided that, if the Prospective Purchaser will not purchase the aggregate amount of Shares which the Selling Shareholder and the Other Holder requested to be sold pursuant to the immediately preceding sentence, the number of Shares which the Selling Shareholder and the Other Holder shall be permitted to sell to the Prospective Purchaser shall be proportionately reduced so that each may sell the same percentage of its Shares. The Other Holder may only exercise their right under this Section 4.4 by written notice given to the Secretary of the Corporation within the Notice Period.

4.5 *Drag-Along Right of the City of Kitchener*

If Kitchener is the Selling Shareholder and

- (a) the Offered Shares are all, but not less than all, of the Selling Shareholder's Shares;
- (b) the Selling Shareholder receives an Offer and, in accordance with the procedures set forth in Section 4.3, the Other Holder declines to purchase all of the Offered Shares; and
- (c) the Prospective Purchaser agrees to purchase all of the outstanding Shares on the terms set forth in the Offer;

then the Selling Shareholder shall have the right, upon written notice given to the Other Holder within 10 Business Days after the Notice Period has expired, to require that the Other Holder sell all its Shares to the Prospective Purchaser. Upon such notice being given, the Other Holder shall be required to sell its Shares to the Prospective Purchaser upon the terms and conditions set forth in the Offer provided that the closings of all such sales shall occur contemporaneously.

**ARTICLE V
CLOSING OF PURCHASE TRANSACTION**

5.1 *Time and Place of Closing*

The closing of any purchase and sale of Shares contemplated by Section 4.3, 4.4 or 4.5 of this Agreement shall, unless otherwise agreed upon by the parties to such transaction, take place at the registered office of the Corporation on the date specified in the Selling Notice.

5.2 *Documents to be Delivered by the Purchaser*

On or before the closing of a purchase and sale of Shares contemplated hereunder, the purchaser shall deliver to the vendor the following:

- (a) a certified cheque or bank draft in an amount equal to the purchase price for the Shares being purchased;
- (b) in the event Shares are sold to a Person who is not a Shareholder pursuant to Section 4.3, 4.4 or 4.5 hereof, a duly executed counterpart of this Agreement or other agreement pursuant to which such Person agrees to be bound by the provisions hereof; and
- (c) such other documents as may be reasonably required by any party to such purchase and sale to properly complete the purchase and sale of the Shares.

5.3 *Purchase of the Township of Wilmot's Shares*

Notwithstanding Subsection 5.2(b) of this Agreement, on or before the closing of a purchase and sale of the Shares of Wilmot to a Person who is not a Shareholder pursuant to Section 4.3, 4.4 or 4.5 hereof, such Person shall not be entitled to designate a nominee on the Board that Wilmot is entitled to pursuant to Subsection 2.1(b) hereof, nor shall such a purchaser enjoy the right of first refusal granted in Section 4.3 hereof and the piggyback right granted in Section 4.4 hereof.

5.4 *Failure to Complete Sale*

In the event the Selling Shareholder fails to complete the subject purchase and sale transaction, the Prospective Purchaser shall have the right to deposit the purchase price for the subject Shares for the account of the Selling Shareholder in an interest-bearing account at a branch of the Corporation's bankers. Thereafter, the purchase and sale of the subject Shares shall be deemed to be fully completed and all right, title, benefit and interest, both at law and in equity, in and to the subject Shares shall be deemed to have been transferred and assigned to and become vested in the Prospective Purchaser and all right, title, benefit and interest, both at law and in equity, of the vendor or any other Person having an interest in and to the subject Shares shall cease and the records of the Corporation shall be amended accordingly.

ARTICLE VI BOOKS AND RECORDS

6.1 *Books and Records*

The Corporation shall at all times maintain at its registered office proper books of account, which shall contain accurate and complete records of all transactions, receipts, expenses, assets and liabilities of the Corporation.

ARTICLE VII GENERAL

7.1 *Arbitration*

- (a) **Selection of Single Arbitrator.** The Shareholders agree that any controversy, dispute or claim between them arising out of or relating to this Agreement or the performance, enforcement, breach, termination or validity of it, including the determination of the scope of the Agreement to arbitrate, shall be determined by arbitration before a single arbitrator (the "Arbitrator") agreed to by all of the Shareholders. If the Shareholders are unable to agree on the Arbitrator, then, an application may be made under the Arbitration Act to a judge for the appointment.
- (b) **Referring Dispute.** Any Shareholder may refer a dispute to the Arbitrator by providing notice in writing to the Arbitrator and to the other Shareholder expressing its intention to refer the dispute to arbitration and briefly describing the nature of the dispute.
- (c) **Attempted Settlement.** Upon service of the notice referred to above, the Shareholders (the "Disputing Shareholders") will attempt to negotiate a settlement of the dispute amongst themselves. In the event that the parties are unable to reach settlement by themselves within 10 days of the service of the notice referred to above, the Shareholder will proceed with the arbitration and any Disputing Shareholder shall be free to apply to the Arbitrator for directions as to the scheduling of the arbitration itself and the pre-hearing procedures.

- (d) **Decision Final and Binding.** The Shareholders agree that the award of the Arbitrator shall be final and binding without any right of appeal and shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues or disputes referred to the Arbitrator.
- (e) **Place of Arbitration.** The arbitration shall take place in Kitchener, Ontario and shall be governed by the laws of the Province of Ontario.
- (f) **Powers of Arbitrator.** The Shareholders agree that the Arbitrator shall have the powers and jurisdiction of an arbitrator pursuant to the Arbitration Act and such power shall include the power to award interim and interlocutory injunctions and other equitable relief.
- (g) **Costs.** The Arbitrator shall have the power to award the costs of the Arbitrator's services and related costs against either party, however, each party will bear the costs of their own counsel and witness fees.
- (h) **Written Notices.** All notices by one Shareholder to the other in connection with the arbitration shall be in writing and shall be deemed to have been duly given or made if delivered or sent by facsimile transmission to the addresses provided in this Agreement.

7.2 ***Further Assurances***

Each party hereto shall do such acts and shall execute such further documents, conveyances, deeds, assignments, transfers and the like, and will cause the doing of such acts and will cause the execution of such further documents as are within its power as any other party may in writing at any time and from time to time reasonably request be done and or executed, in order to give full effect to the provisions of this Agreement.

7.3 ***Severability***

If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be

deemed to be severed herefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

7.4 *Amendment, Modification and Waiver*

This Agreement may not be modified, amended, terminated or supplemented except as agreed, in writing, by Shareholders holding not less than a majority of the Shares then issued and outstanding except that while both of the Municipalities are Shareholders any amendment to Section 2.1(b), Section 2.1(d) and Article IV shall require the approval of both Kitchener and Wilmot. No amendment can be made to this Agreement where such amendment is or would be oppressive to Wilmot. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

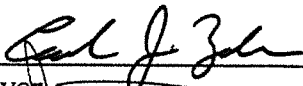

7.5 *Agreement Binds the Corporation*

The Corporation, by its execution of this Agreement, acknowledges that it has actual notice of the terms of this Agreement, consents to this Agreement and by this Agreement covenants with each of the Shareholders that it will at all times during the term of this Agreement:

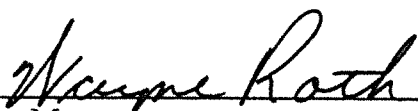
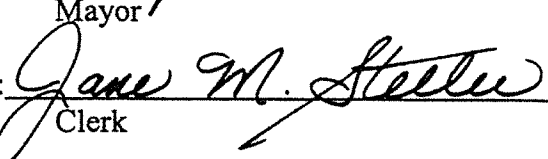
- (a) give or cause to be given such notices, execute or cause to be executed such deeds, transfers and documents as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement;
- (b) do or cause to be done all such acts, matters and things as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement; and
- (c) take no action that would constitute a contravention of any of the terms and provisions of this Agreement.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.


**THE CORPORATION OF THE
CITY OF KITCHENER**

By:  c/s
Mayor
By:  c/s
Clerk

**THE CORPORATION OF THE
TOWNSHIP OF WILMOT**

By:  c/s
Mayor
By:  c/s
Clerk

KITCHENER POWER CORP.

By:  c/s
Name:
Authorized Signing Officer

Schedule "A" - Definitions

"Act" means the *Business Corporations Act* (Ontario);

"Agreement" means this Agreement, all schedules attached hereto and any agreement or schedule supplementing or amending this Agreement. All uses of the words "hereto", "herein", "hereof", "hereby" and "hereunder" and similar expressions refer to this Agreement and not to any particular section or portion of it. References to an Article, Section, Subsection or Schedule refer to the applicable article, section, subsection of or schedule to this Agreement;

"Arbitration Act" means the *Arbitration Act*, S.O., 1991;

"Arbitrator" has the meaning set out in Subsection 7.1(a);

"Arm's Length" has the meaning attributed thereto in the *Income Tax Act* (Canada) provided that, for the purposes of Sections 4.3, 4.4 and 4.5, each Shareholder shall be deemed to be acting at Arm's Length with each other Shareholder and the Corporation;

"Auditors" means the firm of chartered accountants appointed as auditors of the Corporations from time to time;

"Board" means the Board of Directors of the Corporation;

"Business" means the business of the Corporations as described in Section 2.1 or as may otherwise be conducted by the Corporations from time to time;

"Business Day" means any day other than a Saturday, Sunday, or statutory holiday in Ontario;

"Closing Date" means the date on which the purchase and sale of Shares is to be completed;

"Corporations" means collectively the Corporation and any Subsidiary;

"Council" means the municipal council of a Municipality and Councils means the municipal councils of both Municipalities.

"Debt" means, with respect to the Corporations without regard to any uncapitalized interest component thereof (whether actual or imputed) that is not due and payable, the aggregate of the following amounts, on a consolidated basis, each calculated in accordance with generally accepted accounting principles, unless the context otherwise requires:

- (a) indebtedness for money borrowed (including, without limitation, by way of overdraft) or indebtedness represented by notes payable and drafts accepted representing extensions of credit;
- (b) the face amount of all bankers' acceptances and other similar instruments;
- (c) all obligations (whether or not with respect to the borrowing of money) that are evidenced by bonds, debentures, notes or other similar instruments;
- (d) all liabilities upon which interest charges are customarily paid by the Corporation;
- (e) any capital stock of the Corporation (or of any subsidiary of the Corporation that is not held by the Corporation or by a subsidiary of the Corporation that is wholly owned, directly or indirectly), which capital stock, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the maturity date for cash or securities constituting debt;
- (f) all capital lease obligations, synthetic lease obligations, obligations under sale and leaseback transactions and purchase money obligations;
- (g) the full amount of any contingent liability under any guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business) in any manner of any part or all of an obligation of another person of the type included in items (a) through (f) above, including contingent liabilities in respect of letters of credit, letters of guarantee and similar instruments; and
- (h) contingent liabilities in respect of performance bonds and surety bonds, and any other guarantee or other contingent liability of any part or all of an obligation of a person, in each case only to the extent that the guarantee or other contingent liability is required by generally accepted Canadian accounting principles to be treated as a liability on a balance sheet of the guarantor or person contingently liable,

provided that trade payables, operating leases and accrued liabilities that are current liabilities incurred and deposits received in the ordinary course of business do not constitute Debt.

"Debt/Equity Ratio" means a ratio of debt to equity on a consolidated basis for the Corporation and all Subsidiaries;

"Disputing Shareholder" has the meaning set out in Subsection 7.1(c);

"Electricity Act" means the *Electricity Act, 1998* (Ontario);

"Encumbrance" means a mortgage, charge, pledge, hypothecation, lien (statutory or otherwise), security interest, adverse claim, assignment as security or reservation of title of any kind;

"Energy Board Act" means the *Ontario Energy Board Act, 1998* (Ontario);

"Energy Legislation" means collectively the Electricity Act, the Energy Board Act, the market rules established by the IMO and other Laws regulating the energy sector in Ontario;

"Equity" means the aggregate of the equity, capital stock and surplus as such amounts appear on a consolidated balance sheet of the Corporation prepared in accordance with generally accepted Canadian accounting principles and as determined by the OEB. In the event there is a conflict between generally accepted Canadian accounting principles and the determination of the OEB, the determination of the OEB with respect to the conflict shall prevail;

"Fiscal Year" means a 12-month period ending on December 31 in each year;

"Governmental Authority" means any government or political subdivision (including without limitation, any municipality or federal or provincial ministry) or agency, authority, commission, department or instrumentality of any government or political subdivision, or any court or tribunal, and specifically includes the OEB and the IMO;

"IMO" means the Independent Electricity Market Operator established pursuant to the Electricity Act;

"Law" means any law, including common law, equitable principle, statute, ordinance, regulation, rule, order, permit, decision, declaration, notice, demand, injunction, writ, policy, decree or award of any Governmental Authority, including, without limitation, the Energy Legislation;

"Municipalities" means Kitchener and Wilmot and "Municipality" refers to either one of Kitchener or Wilmot;

"Notice Period" has the meaning set out in Subsection 4.3(b);

"OEB" means the Ontario Energy Board;

"Offer" has the meaning set out in Subsection 4.3(a);

"Offered Shares" has the meaning set out in Subsection 4.3(a);

"Other Holder" has the meaning set out in Section 4.3;

"Person" means an individual, firm, partnership, unincorporated association, corporation, bank, trust or other legal entity of any kind whatsoever;

"Prospective Purchaser" has the meaning set out in Subsection 4.3(a);

"Purchase Notice" has the meaning set out in Subsection 4.3(c);

"Selling Notice" has the meaning set out in Subsection 4.3(c);

"Selling Shareholder" has the meaning set out in Section 4.3;

"Shareholder" means, as of the date of this Agreement, each of Kitchener and Wilmot and, subsequently, includes any Person which becomes a registered holder of Shares;

"Shareholder Representative" has the meaning set out in Subsection 3.3(b);

"Shareholders Debt" means any Debt held by a Shareholder and issued by one of the Corporations;

"Shares" means common shares without par value in the capital of the Corporation;

"Subsidiary" means any subsidiary (as this term is defined in the Act) of the Corporation or other entity in which the Corporation holds an equity interest of greater than 25% of the entity;

"Third Party" means any Person with whom a Shareholder deals at Arm's Length; and

"Transferee Shareholder" means any Person which acquires Shares from a Shareholder in accordance with the provisions of this Agreement.

SCHEDULE B
EXCERPTS FROM TSE GUIDELINES

CORPORATE GOVERNANCE

Introduction

[¶825-772]

Sec. 472. In 1993, the Toronto Stock Exchange Committee on Corporate Governance was established to conduct a comprehensive study of corporate governance in Canada and to make recommendations to improve the manner in which Canadian corporations are governed. The Committee was comprised of representatives from the Canadian corporate, investment and academic communities.

Following the completion of an extensive public consultation process, which included public meetings in five cities across the country and the review of approximately 150 written submissions from interested parties, the Committee released its final report in December 1994.

The report included proposed guidelines for effective corporate governance. It also recommended that the Exchange adopt a disclosure requirement which would be applicable to all listed companies incorporated in Canada. This recommendation was subsequently adopted by the Exchange. The disclosure requirement, which is set out below, is applicable in respect of listed company fiscal years ending on or after June 30, 1995.

Disclosure Requirement

[¶825-773]

Sec 473. Every listed company incorporated in Canada or a province of Canada must disclose on an annual basis its approach to corporate governance. This disclosure - a "Statement of Corporate Governance Practices" - must be made in the company's annual report or information circular. For this purpose, "approach to corporate governance" means a description of the company's system of corporate governance with reference to the guidelines set out in Section 474 and, where the company's system is different from those guidelines, an explanation of the differences.

Guidelines

[¶825-774]

Sec. 474 The following are the proposed guidelines for effective corporate governance.

(a) The board of directors of every corporation should explicitly assume responsibility for the stewardship of the corporation and, as part of the overall stewardship responsibility, should assume responsibility for the following matters.

- i. adoption of a strategic planning process;
- ii. the identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;
- iii. succession planning, including appointing, training and monitoring senior management;
- iv. a communications policy for the corporation; and
- v. the integrity of the corporation's internal control and management information systems.

(b) The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director. If the corporation has a significant shareholder, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder. A significant shareholder is a shareholder with the ability to exercise a majority of votes for the election of the board of directors.

(c) The application of the definition of "unrelated director" to the circumstances of each individual director should be the responsibility of the board which will be required to disclose on an annual basis whether the board has a majority of unrelated directors or, in the case of a corporation with a significant shareholder, whether the board is constituted with the appropriate number of directors which are not related to either the corporation or the significant shareholder. Management directors are related directors. The board will also be required to disclose on an annual basis the analysis of the application of the principles supporting this conclusion.

(d) The board of directors of every corporation should appoint a committee of directors composed exclusively of outside, i.e., non-management, directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.

(e) Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.

(f) Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.

(g) Every board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.

(h) The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.

(i) Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some board committees, such as the executive committee, may include one or more inside directors.

(j) Every board of directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation's approach to governance issues. This committee would, amongst other things, be responsible for the corporation's response to these governance guidelines.

(k) The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the CEO is responsible for meeting.

(l) Every board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to

ensure the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director". Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning the responsibility for administering the board's relationship to management to a committee of the board.

(m) The audit committee of every board of directors should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

(n) The board of directors should implement a system which enables an individual director to engage an outside adviser at the expense of the corporation in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.



Appendix 5 – KWHI Governance Project

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Governance Project Status @ April 23, 2019

Context

KWHI Board Chair (Catherine Motz), Vice Chair (Richard Cantin), and CEO Jerry Van Ooteghem, along with KPC Board Chair (Jim Phillips) as a “Governance Group” (as distinct from a formal board committee) have been meeting and conferring since April, 2018 to plan and prioritize a governance review and improvement initiative (“KWHI Governance Project”) with a target completion date of April 2019.

The OEB has distributed drafts of its Corporate Governance document. There is a section on Guidance and a section on reporting and record keeping. Its final report has yet to be issued but the draft is a helpful “checklist” of the OEB’s likely expectations. The following chart helps us track KWHI’s compliance with it as a minimum standard.

However, the KWHI Governance Project also includes:

- a review of the current board committees — their mandate, membership (possibly non-Board members), required and preferred competencies; and then the possibility and organization of additional committees (e.g. Governance, Audit, Compliance, Risk Management) to best serve fulfillment of the Board’s responsibilities;
- an inventory of current board members’ competencies (knowledge, skills and abilities) for the good governance of KWHI;
- board assessment on the board’s functionality; and
- improvements as gaps are identified.

Progress Tracking

	OEB’s Guidance	KWHI’s Compliance	Indicators/Records of Compliance
A	Director Independence		
A1	Independence: Utilities should have a board of directors at the utility level and a majority of those directors should be independent of the shareholder and any affiliate	COMPLIANT	3 non-independent (2 mayors, and President & CEO); 4 independent
A2	Board Size: The board should comprise no less than five directors	COMPLIANT	7 (6, plus President & CEO)
A3	Scope of Oversight: Shareholder agreements or directions that limit the board of directors from exercising its independent judgment should be <i>avoided</i>	COMPLIANT	Shareholder Agreement, dated August 1, 2000
B	Director Skills		
B1	The board as a whole must possess the complete range of skills necessary to execute its governance function and discharge its responsibilities effectively	Review and improvements pending (following B2 compliance)	
B2	A matrix approach should be used to compile an inventory of director skills	Draft matrix in process for eventual presentation to the Board for feedback and approval (N.B. connection to F1 and F2 requirements)	
C	Board and Committee Structures and Functions		
C1	Boards should ensure that they are structured to provide oversight of key functions of the utility business	Inventory of key functions to be prepared.	

	OEB's Guidance	KWHI's Compliance	Indicators/Records of Compliance
C2	Committees of the board are an effective means of achieving appropriate oversight of key functions	Review and improvements pending completion of C1	
C3	Committee members should possess the requisite skills to effectively discharge their responsibilities	Review and improvements pending (to be informed by B2, C1, D1 and D2 compliance)	
D	Supporting Documentation and Practices		
D1	Utility boards should have a written mandate and any committees of the board should have a written charter	COMPLIANT - for Board COMPLIANT - for Committees	Board mandate approved March 23, 2018; Committees' Mandates (for the 3 committees required by the Shareholder Agreement) approved September 28, 2018
D2	The mandates of boards and any committees should be documented	COMPLIANT - for Board COMPLIANT - for the 3 committees required by the Shareholder Agreement (Audit; HR/Compensation; and Nominating)	Board mandate approved March 23, 2018; Committees' Mandates approved September 28, 2018
D3	Boards should have a written code of conduct	COMPLIANT	Approved for KWHI on April 23, 2019
D4	Boards should provide orientation for new appointees and continuing education and/or other methods of broadening the skills of all directors	COMPLIANT and Ongoing	Ongoing board education (see meeting agendas, e.g. cyber security, safety, annual strategic planning meeting); membership in ICD
E	Director Independence: In order to assess the level of independence of its board, utilities will be required to report the following:		
E1	The number of directors on the board of the utility	COMPLIANT	7
E2	The number of directors of the utility that are independent of affiliates; including the parent company or holding company and the majority or controlling shareholder	Governance changes proposed for 2020 to achieve independence with KESI	4 are independent of KPC 0 are independent of KESI 6 are independent of GRE
E3	Whether a utility director is a member of any other board and whether there are any board interlocks (i.e. where executive or director of one board is also a director of another board)	3 are not independent	Mayor of Kitchener, Mayor of Wilmot and CEO are directors on KPC and KESI. CEO is also a director of GRE.
E4	Which of the directors is an employee or representative of a shareholder	3 are not independent	Mayor of Kitchener, Mayor of Wilmot, CEO
E5	A brief description of any shareholder agreement or direction and the aspect of the utility business to which it pertains	COMPLIANT [what about KESI?]	Shareholder Agreement, dated August 1, 2000
	Utilities will also have to maintain records of the following, so that they may be produced if requested:		

	OEB's Guidance	KWHI's Compliance	Indicators/Records of Compliance
E6	Any shareholder agreement or direction in place that may restrict the utility board's decision-making	COMPLIANT	no such agreement causing such restriction for KWHI
F	Director Skills Utilities will be required to report information that demonstrates how their utility board directors possess the skills expected of directors. This includes:		
F1	Previous positions held by each director that demonstrate a director has specific skills or expertise.	To be captured via B2 compliance, some via each director's CV obtained during nominating process, and through a matrix currently in draft-development.	
F2	An explanation of what expertise and experience the director gained in each previous position, as well as details regarding the term/duration of the previous position.	Via F1	
G	Board and Committee Structures and Functions The following information about a utility board's committees and functions is required:		
G1	Names, descriptions and functions of each utility-level board committee (e.g. Audit, Risk Management, Compensation, etc.)	COMPLIANT via D1 and D2 for the Board and for the 3 committees required by the Shareholder Agreement (Audit; HR/Compensation; and Nominating)	Board mandate approved March 23, 2018; Committees' Mandates approved September 28, 2018
G2	Committee membership	COMPLIANT for the 3 committees required by the Shareholder Agreement (Audit; HR/Compensation; and Nominating)	Board mandate approved March 23, 2018; Committees' Mandates approved September 28, 2018
G3	A mapping of each key board function to committee mandates	To be done	
G4	Indication of functions that are undertaken by each committee or heard at the utility board as a whole	COMPLIANT	See D1 and D3
H	Supporting Documentation and Practices Utilities will be required to maintain records of the following, so that they may be produced if requested:		
H1	A copy of any utility board code of conduct	COMPLIANT	See D3
H2	A copy of any written mandate for the board and written charter for each committee	COMPLIANT - for Board COMPLIANT - for the 3 committees required by the Shareholder Agreement (Audit; HR/Compensation; and Nominating)	
H3	A description of orientation, training or other methods used to broaden and deepen the skills of existing and new directors	To do; linked to D4	

	OEB's Guidance	KWHI's Compliance	Indicators/Records of Compliance
I	Board Assessment Phase 1 – Board as a Whole – Year 1 Phase 2 – Add Self Assessment – Year 2 Phase 3 – Add Peer Assessment – Year 3	Not Applicable	Phase 1 Board Assessment Completed March 2019



Appendix 6 – Board Packages

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**KITCHENER-WILMOT HYDRO INC.
BOARD MEETING – WEDNESDAY, MAY 22, 2019 – 11:00 AM
AGENDA**

Directors – Catherine Motz, Richard Cantin, Berry Vrbanovic, Les Armstrong, Jim Beingessner, Sandra MacGillivray and Jerry Van Ooteghem

ITEM

- 1 - Call to Order**

- FA **2 - Approval of the Agenda**

- 3 - Declaration of Conflict of Interest**

- 4 - New Business: -**
 - FA (a) Replacement of the Customer Information System
 - FI (b) Cost of Service Rate Application

- 5 - Termination of Meeting**

Next Board Meeting - Friday, June 14, 2019

FA – for approval
FI – for information



CUSTOMER INFORMATION SYSTEM REPLACEMENT

Business Case Update



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Background on Existing CIS

For additional information covering all the details on the need for a new Customer Information System (CIS), see the full business case issued in late 2016, *CIS Replacement Business Case – KWHI_Final.docx*. Relevant quotes from that document are included in this section.

The CIS at Kitchener-Wilmot Hydro Inc. (KWHI) is the key enabler of its customer service capabilities. This strategic asset collects and stores its customer account information. It supports the integrated delivery of its customer care and revenue cycle processes, including meter reading, producing customers' bills and collecting revenues. It also supports consumer program development and delivery processes. KWHI's current system was built in-house, is highly customized, is 30+ years old and has become obsolete with regards to meeting current demands and requirements. Current industry trends and one of KWHI's Information Technology strategies support buying technology solutions as opposed to building internal systems. This is especially true in the case of enterprise applications such as CIS.

It is recommended that the current legacy CIS be replaced as soon as possible. The two main reasons for this change are operational necessity and strategic positioning to serve the growing demands of KWHI's customer base.

Current Situation

KWHI's existing CIS has served the organization well. Its origins date back over 30+ years and the technology platform has not changed. Over one million lines of code exist, most of which are written in COBOL, a programming language designed and standardized in the 1960s. Its use today is typically only one of maintenance of existing applications. Given the migration away from this language, the problem of KWHI's aging IT workforce is highlighted. KWHI has already experienced two significant retirements and it will continue to be challenged to recruit technology talent that not only has COBOL expertise but wants to continue to work with such an outdated tool set.

From a timing perspective, it is becoming more urgent that KWHI seek a replacement as the existing IT staff hold a tremendous collective knowledge of the business logic contained in the system. To move to a new solution, KWHI needs to have this staff involved before it sees further retirements.

The current system has adapted and expanded over the years to accommodate new requirements, including the challenge of the opening of a competitive electricity market in 2002. However the design of the system coupled with the verbosity of the underlying technology combine to limit the flexibility it has to enhance the system to KWHI's changing business needs. KWHI's customers' expectations are becoming increasingly demanding as cost pressures force them to focus attention on their consumption. The current CIS requires a number of manual workarounds to provide basic information to customers and lacks the capability of providing reports to support proactive real time decision making. Technology is readily available in KWHI's customers' hands and if it cannot supply them the desired information in a timely manner the opportunity exists for a third party to fill this role at the expense of KWHI. KWHI requires a system that can support the dynamics of an increasingly tech savvy consumer population.

The other major opportunity that exists in evaluating alternatives against the current CIS is in the area of reporting and data analytics. Both internal and external customers suffer today because the existing data

is difficult to access for use in analytics. A new system would supply understandable and flexible data with complete integrity and a high rate of availability due to a more integrated solution.

Risk of not undertaking the project

Legacy CIS systems were not built to handle the significant market and business disruptions that have transformed utility operations and customer engagements throughout the last few years; and at a very high level, lack of flexibility is to blame. If KWHI decided not to undertake a CIS replacement project, it would be subjecting itself to the following risks:

- Loss of knowledge and business logic, due to retiring workforce supporting legacy systems;
- Difficulty in hiring IT personnel, higher user/IT training costs and escalating support costs;
- Growing backlog of system change requests and an inability to extend systems without significant effort and/or redesign;
- Difficulty accommodating new rate structures;
- Difficulty integrating newer, packaged systems for other corporate applications and OEB/Ministry reporting with the existing CIS;
- Limited analytics for management decisions;
- Limited real-time access to data;
- Dated and inefficient business processes due to technology limitations;
- No customer portal, no online chat and limited self-service thereby increasing LDC workload.

Additionally, older systems are particularly deficient when it comes to easily extracting data for the purposes of web-portals, mobility extensions, business intelligence (BI) and more sophisticated financial reporting associated with billing and credit and collections.

Situational Update

In late 2016, the business case referenced and quoted above outlines the urgent need for a CIS and was accepted by senior management. The 2016 business case made the recommendation to move ahead with replacing its current CIS as part of a consortium which included two other LDCs. All three LDCs were members of the GridSmartCity co-operative and all were committed to working together to issue a Request for Proposals (RFP) with the expressed purpose of getting the best CIS possible in an affordable manner. It was believed that the pooling of resources would help each member LDC get a better CIS while saving money on both capital and operating costs.

The CIS RFP was issued November 23, 2016 jointly by KWHI, Utilities Kingston and Burlington Hydro and sent to 15 vendors. Significant resources were expended by all three member LDCs to issue the RFP. The RFP included requirements for electricity and for natural gas and water as one of the LDCs had that requirement.

Sharing of costs was initially to be based on number of customers. KWHI's share was 44% with an estimated 91,000 customers.

Following the issuance of the RFP, a pre-proposal conference was held at KWHI's offices where vendors could ask questions of the CIS Implementation team. The proposal deadline date was set for February 17, 2017.

Eight (8) CIS proposals were received by the Consortium with a mix of Tier 1 and Tier 2 vendors. The CIS Implementation team, with the assistance of third party experts, evaluated each of the proposals using the methodology recommended by the third party. Following the proposal evaluations, the list of potential vendors was short-listed to four (4) vendors – three (3) Tier 1 vendors and one (1) Tier 2 vendor. Onsite demonstrations with each of the vendors were scheduled and held at KWHI's offices with the full CIS Implementation team and many other Consortium employees in attendance.

Following the demonstrations, the CIS Implementation team went on site visits and completed referencing. Best and final offers were received from each of the short-listed vendors. The implementation costs, excluding KWHI's internal labour costs, were in the range of \$5.6M to \$14.9M, while the annual operating costs range between \$0.5M and \$2.36M.

Based on the rating criteria, a Tier 1 vendor was selected by the CIS Implementation team. It was recognized at that time that the costs were particularly high for all of the Tier 1 vendors and Burlington Hydro exited the consortium in August 2017, leaving KWHI and Utilities Kingston in the consortium.

With the exit of Burlington Hydro from the consortium, the estimated costs for the remaining consortium members increased significantly compared to when the consortium members were three.

The consortium actively sought a new consortium member and was approached by another LDC in Ontario. Unfortunately, this fourth LDC was unable to establish a strong enough business case to satisfy its Board of Directors as a Tier 2 system had been installed within the past five years. Although the installed solution did not meet all of their business needs, the LDC could not justify a full implementation of a new CIS and so did not join the consortium.

The CIS consortium disbanded very shortly thereafter (April 2018) when there was a realization that the options were unaffordable to the remaining two consortium members.

The fact remained that KWHI still needed a new CIS with some urgency as one year had already passed since the RFP had been issued and a solution had not yet been selected. KWHI resumed its search for a new CIS on its own.

Alternatives

There were a few options available to KWHI for acquiring a CIS in an affordable manner. Possibilities explored were:

- Restart a consortium (try again)

Restarting a consortium with different partners would have helped KWHI realize the benefits that led it to start the previous consortium in the first place, assuming the outcome was successful. KWHI did briefly look for new partners but since the CIS project was already delayed by a full year, it could not lose any more time looking for a new partner. Another retirement within its IT department had occurred during the past year (leaving only one employee with the requisite knowledge and skills

required to maintain the existing CIS) and the risk of continuing to rely on its aged CIS was continuing to grow. KWHI finally made the decision that waiting for more consortium partners was too big of a risk to its business.

- Use another utility's billing platform

Similar to the objectives of the consortium, one option was to explore using another LDC's billing platform through an instance of their application and a shared multi-tenant database. This alternative was explored. While the capital costs were deemed to be competitive, operating fees of \$1.7M annually were considered by KWHI to be too high to be borne by its customers. In addition, the capital costs were, in effect, costs for software that it would not even own. Additionally, should the LDC hosting the CIS solution decide to move to another billing system, KWHI would again be looking for a new CIS solution. KWHI's traditional business approach is to look for a long-term, stable solution rather than incurring additional costs to implement something new every few years and negatively impact customer bills.

- Reissue RFP on a go-alone basis

KWHI contemplated reissuing the RFP; however, it was decided that reissuing the RFP itself would lead to additional delays and vendors would essentially be asked to respond to the same requirements as the original RFP.

- Ask vendors to resubmit proposals based on a go-alone basis

Instead of fully reissuing the RFP, KWHI could simply ask selected vendors to resubmit proposals assuming that KWHI was now the sole customer and that the RFP requirements included electricity only (no natural gas or water). KWHI did so, scaling its requirements to a phased approach, emphasizing the need for cost control.

Phased Approach

KWHI recognized that its costs would increase since it was no longer a part of a consortium that could share the costs of the new CIS so in order to control costs and reduce bill impacts, the decision was made to scale back the base requirements of the RFP and build the core CIS first. This core CIS would be built upon later, adding the additional features that customers expect out of a good functional CIS such as the customer portal. Workforce management would also be added later.

Proposal Resubmissions

Over the year 2018, vendors resubmitted their proposals to KWHI. Due to affordability issues, some submitted both informal and formal bids over an extended period of time. KWHI continued to stress affordability of the CIS and reducing customer bill impacts. KWHI recognized that, since its existing CIS was a home grown option with very little cost, that all of the costs of its new CIS would be fully incremental to its customers.

Additionally, one new vendor approached KWHI expressing interest in submitting a proposal although they had not been included in the initial invitation for RFP responses. KWHI, having had a long working relationship with this vendor, included them as a possibility and accepted their proposal.

Note the numbers presented below are updated figures from the budgets included in the 2020 Cost of Service Application and were presented to our Board on March 22, 2019.

The following bids, inclusive of hardware and business travel expenses including internal labour were received:

KWHI CIS Options (On Prem)

Vendor	\$\$\$ Millions			Monthly Impact (All Customers)	Monthly Residential Impact
	Total One-Time Costs	Total Operating Cost	Incremental Revenue Requirement		
Vendor 1	6.89	0.41	0.79	0.80	0.45
Vendor 2	10.24	0.41	1.20	1.21	0.67
Vendor 3	8.52	0.77	1.39	1.40	0.78
Vendor 4	3.27	0.14	0.22	0.22	0.13
Vendor 5	7.76	0.37	0.91	0.92	0.51

Note that there is no correlation between the Vendor numbers in the above table and the original consortium CIS proposals.

Vendor 1 was the vendor with whom KWHI has had a long standing relationship related to other software. This vendor offered to help KWHI after hearing of the loss of the consortium and the risks that KWHI was facing with its current CIS. This offer included a Tier 1 solution. This vendor had never installed this particular software which brought significant risk to the project; however, it had a lot of project experience from leading other ERP software implementations over many years. This vendor has also recruited a number of experienced consultants who had experience with the exact same Tier 1 software being offered by the vendor.

Vendor 2 was the same software package being offered by Vendor 1 with only a different vendor making the offer. Vendor 2 had a lot of previous experience with implementing this software which Vendor 1 lacked. Vendor 2 also had its own team of experienced consultants to help with the implementation. The cost was significantly higher than Vendor 1. In fact, it was out of KWHI's price range. This same vendor also offered a cloud option. Although the initial capital cost was competitive, the annual operating cost (which impacts customer bills one for one) was much higher than the on premises option and was deemed unaffordable.

Vendor 3 was a well-known and reputable system integrator with many successes in its history. The capital cost was lower than both Vendor 2 and Vendor 3; however, the estimated operating costs were significantly higher than all of the other options. The software being offered was a different software than what was being offered by Vendors 1 through 3 and was not being widely used in the Ontario

electricity distribution space. This option would leave KWHI with few peers to share future costs with when the software was updated for regulatory and legal requirements. Further investigation showed that this software would require significant internal resources to maintain, increasing the annual operating costs to an unaffordable level.

Vendor 4 was a Tier 2 solution with one instance of its software successfully running in the LDC space in Ontario. The capital and operating costs were lower than all the other vendors. This was a software solution that the consortium did not short-list during the first go around because of its availability and maturity at the time. KWHI spent significant time investigating this solution having numerous meeting and two software demonstrations. One demonstration was held with some senior team members and the leads of the CIS Implementation team at the offices of the host LDC running the software. The second was held at KWHI's office with a team of fourteen (14) KWHI staff in attendance. The first demonstration went well but the second showed that the software was still essentially in development and it still had some shortcomings. In addition, KWHI had learned that this vendor had recently signed to implement the software at another LDC in Ontario. This created concerns that the vendor would not have sufficient resources to implement this solution at two LDCs concurrently.

Vendor 5 was a solution presented to KWHI after all of the initial proposals were complete. KWHI recognized that Vendor 1 was lacking in experience in the CIS implementation space but was an affordable Tier 1 solution. This created some significant risk for KWHI. Vendor 2 had the experience but was not an affordable solution. Both vendors also recognized this issue and worked together to propose a solution that was still affordable to KWHI but also removed a lot of the risk of Vendor 1 alone.

KWHI had scaled back some of its RFP requirements in order to make the proposed solutions affordable. The original consortium solution included requirements for a customer portal, and workforce management. KWHI recognized that, while these items will likely be required in the future for its operations, they could be re-evaluated and added later once the core CIS was operational.

Tier 1 versus Tier 2 Solution

From the beginning of the CIS selection process, inclusive of when the consortium was working together, decisions had to be made as to whether a Tier 1 or a Tier 2 solution should be implemented.

A Tier 1 solution would allow for greater integration of KWHI's operations as the system was developed and its modules expanded. Tier 1 solutions are also highly configurable and flexible. They are also more expensive.

A Tier 2 solution would be an effective billing system and less pricey than a Tier 1 solution but it has limited capabilities to meet future customer and business needs.

A Tier 1 solution was the preferred option for KWHI for a number of reasons:

- The electricity distribution industry continues to evolve, introducing complexities into billing customers that a Tier 2 solution is not designed to do. The regulatory requirements imposed on LDCs continue to grow. Examples of current and future complexities are but are not limited to:
 - Regulatory asset and liability rate riders
 - Virtual net metering

- Future changes related to the Rate Design for C&I customers creating more rate classes and changes to billing determinants
- Future changes related to the Staff Research Paper on the Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario which, in time, may create a menu of billing options for RPP customers
- Changes resulting from Phase I and Phase II of the Customer Services Rules Review ongoing at the OEB
- Customer expectations for the level of service they require from their LDC continues to grow. The Tier 2 billing system cannot provide all that the customers expects. In order to provide these expanded expectations, KWHI would have to install and implement numerous applications from outside third parties, creating a patch quilt of software solutions. Not only would this require some significant maintenance from KWHI staff, it would open KWHI to issues with cyber security as it relied on more and more vendors for outside software.
- Customer Relationship Management (CRM) is built in allowing the utility to have a 360 degree real-time view of its customers at any time and be able to provide timely and updated information.
- Built-in analytics tool allows for accurate and timely decision making
- Flexibility, scalability, and ongoing investments in R&D keep the product current and allows for quick response to changing customer and regulatory needs.
- A successful Tier 1 install at KWHI would allow it to possibly host a Tier 1 solution for other smaller LDCs. KWHI is the biggest of the medium size LDC's at just under 100,000 customers. Smaller LDCs struggle with the same issues of complex billing requirements as the larger LDCs; however, Tier 1 systems are likely out of reach for them at this point. This reality makes it more difficult for the smaller LDCs to meet customer expectations as well. KWHI could help the smaller LDCs meet this challenge.
- KWHI has other Tier 1 solutions in house. For example; JD Edwards an Oracle ERP product and Intergraph GIS.

KWHI did spend significant time in its decision as to whether to implement a Tier 1 or Tier 2 solution. Essentially in the Ontario market space, there are two (2) Tier 2 solution options available to an LDC.

The first is used by many small LDCs in the province. It is; however, a very basic billing system and rather dated. The software vendor has not expended significant effort in updating the software, likely because there is no need to as its customers include a significant majority of Ontario LDCs. KWHI did consider this option but because of the growing complexities of the electricity industry and regulatory requirements, KWHI felt that it could not best service its customers with this Tier 2 solution. Additionally, KWHI was aware that there was another implementation being completed at another LDC in the province that would run concurrent with its own CIS install. This could create resourcing issues with the software vendor.

The second Tier 2 vendor in the province has only one instance of its software running at an LDC. This was Vendor 5 that submitted a proposal during KWHI's second software selection phase (going alone). During that phase of software selection, KWHI seriously considered using this software as a solution but concerns regarding the maturity of the software and the limited knowledge of the vendor made this solution unacceptable to KWHI.

Some pros and cons of Tier 2 Solutions:

- Less expensive basic billing system
- Lack of customer portal would require addition of third-party solution
- Lack of analytics and only basic reporting
 - Many LDCs with Tier 2 solutions have to subcontract with a third-party provider to get mandatory reporting requirements as the system does not have them built in
- Electricity billing is becoming more and more complex making it difficult for a basic billing system to accommodate. Examples of current complexities and future are but are not limited to:
 - Regulatory asset and liability rate riders
 - Virtual net metering
 - Future changes related to the Rate Design for C&I customers creating more rate classes and changes to billing determinants
 - Future changes related to the Staff Research Paper on the Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario which, in time, may create a menu of billing options for RPP customers
 - Changes resulting from Phase I and Phase II of the Customer Services Rules Review ongoing at the OEB

The Tier 2 solution may be an acceptable option in the short term but unlikely to suffice into the future as the electricity industry continues to evolve.

Finally, through its Customer Engagement process, KWHI learned that its residential customers would support a new core CIS installation at an estimated cost of \$0.78 per customer per month. There was less support from residential customers for the enhanced version which would add an additional \$0.46 per customer per month. The results of the Customer Engagement process reinforced the phased approach KWHI had decided on already – pacing and prioritizing. In considering the elements of a core CIS, it quickly became apparent that, in this day of high technology, that residential customers expect a basic system to include options such as customer portals and IVR (interactive voice response) capability. The inclusion of these items are now considered to be a minimum requirement. Since they are invisible, customers often don't recognize that these items do cost additional money to implement and are not inexpensive. In considering this, KWHI maintained its earlier decision that, although these "extras" do incur additional cost, they are within the minimum expectations of its customers. In order to make these options affordable, KWHI will move forward, adding the additional options in phases – Phase One would deliver the core CIS billing, settlement and customer relationship management system and Phase Two would add the additional items that it believes fall within the minimum requirements of its customers.

In addition, KWHI also learned that its business customers wanted more of a business/partnership-type relationship with KWHI. Their expectations of a CIS included advance knowledge of outages and business analytics. Tier 2 systems have limited analytics built in while Tier 1 systems had this as a built-in feature.

Given that that the Tier 2 software solutions were so limited in the Ontario market space and they did not provide solutions that would meet the expectations of KWHI's customers, KWHI made the decision that a Tier 1 solution was the right option for it going forward.

Recommendation

The recommended solution is Vendor 5 with an estimated labour and material capital cost of \$6.8M, inclusive of all business expenses and a 15% contingency. Internal labour would add another estimated \$1.0M to bring the final implementation cost to \$7.8M. A next to firm cost estimate will be available, following the initial blueprinting phase of the project.

AITO Solutions Ltd. (AITO) and Oracle Consulting Services (OCS) have created a partnership to assist KWHI in the implementation of an Oracle Customer Care & Billing (CC&B) solution. This solution is an on-premises solution using the most up-to-date CC&B application in the Ontario electricity sector which will help KWHI in meeting the requirements of this ever-evolving distribution sector while meeting customer expectations.

Through numerous negotiations with AITO and OCS, KWHI was able to negotiate an affordable solution while also mitigating its project risks.

It is further recommended that this project begin in Q2 2019 with an expected completion date of Q4 2020. In order to keep bill impacts as low as possible, additional functionality such as the customer portal and workforce management will be added after the initial billing system is live.

The high level project scope below outlines the requirements areas that will be defined in order to implement a new CIS, and the interfaces required to other legacy systems. The CIS replacement project will focus on the areas listed below for Phase 1 of the project. A separate needs analysis, business case and budget will be prepared, for board approval, before proceeding with Phase 2 at a later date (post 2020).

The following items will be in scope for Phase I of the project:

Customer Information	Credit History
Account Information/Maintenance	Security Deposits
Customer Correspondence	Payment Functions
Account Balance	Payment Extensions
Account Adjustments	Collections Functions
Accounts Payable	Disconnection Functions
Moves / Transfers	Write-off Functions
Accounting	Premise Related Functions
Taxes, Rebates	Device Testing
Financial Balancing	Field Work Orders
Consumption Review/Display	Meter Inventory
Customer Consumption Analytics	Equipment Inventory
Meter Reading	Master Data Synchronization
Bill Management and Scheduling	Reporting – including OEB regulatory requirements
Contracts and Rates	Retailers EBT Spoke
Billing Periods	AMI - Interface
Calculating Charges	MDM/R (integration or replacement)
Programs and Billing Options	Finance Interface
Billing Adjustments	GIS Interface
Bill controls and Reporting	OMS Interface
Bill Production	My Account (integration)
Retail Settlement	Bill Presentment
Retail Electronic Business Transaction (EBT)	Billing for multiple business lines
OESP Interface	

Following the implementation of the Oracle CC&B CIS, KWHI will enter into a managed services agreement with AITO to support the application at an annual cost of [REDACTED]. This amount is included in the operating cost estimate in the tables above. KWHI will monitor these costs on an on-going basis to determine the most cost effective solution over the long term. No additional internal IT resources are planned in the short term.

Following go-live of the new CIS, KWHI expects to see the following benefits:

- Much lower risk of CIS failure as obsolete technology will be removed
- Improved business continuity - retirement of aging staff will no longer be a factor
- Better analytics through improved access to data and reporting
- Easier input of regulatory changes to billing and customer service rules
- Integration with other systems (such as JDE) will reduce redundant input and other duplications of effort
- Much improved user interface/ease of use for CSRs
- Improved ability for CSRs to provide meaningful information to customers
- Better tracking of customers in collections/bad debts
- Ability to contact customers through telephone calls/texts to inform/update outage data and ETRs (Phase Two)
- Customer portal allowing customer more self-service options (Phase Two)
- Field work order integration (Phase Two)

Risk Mitigation

The following table shows areas of risk that KWHI recognizes it is currently encountering with its current CIS situation as well as other risks that it will face during the CIS implementation and mitigations associated with those risks.

Risk	Mitigation
<ul style="list-style-type: none">• One remaining programmer close to retirement• Significant customer service/CIS changes required from OEB regulation changes• Limited resource pool for CIS implementation• Project not moving/implementation issues• End User Acceptance• SI does not meet the program delivery obligations	<ul style="list-style-type: none">• Must maintain strict timelines to complete CIS project on time• Contract retired programmers to assist, if needed• Contact OEB for leave of non-compliance until CIS project complete• Backfill where needed (temporary employees)• Work with AITO/OCS to address - scheduled meetings• Implement a change management program and provide adequate training• Establish a steering committee• Ensure SI has appropriate subject matter experts• Negotiate fix price contracts where possible• Have a well-defined project scope

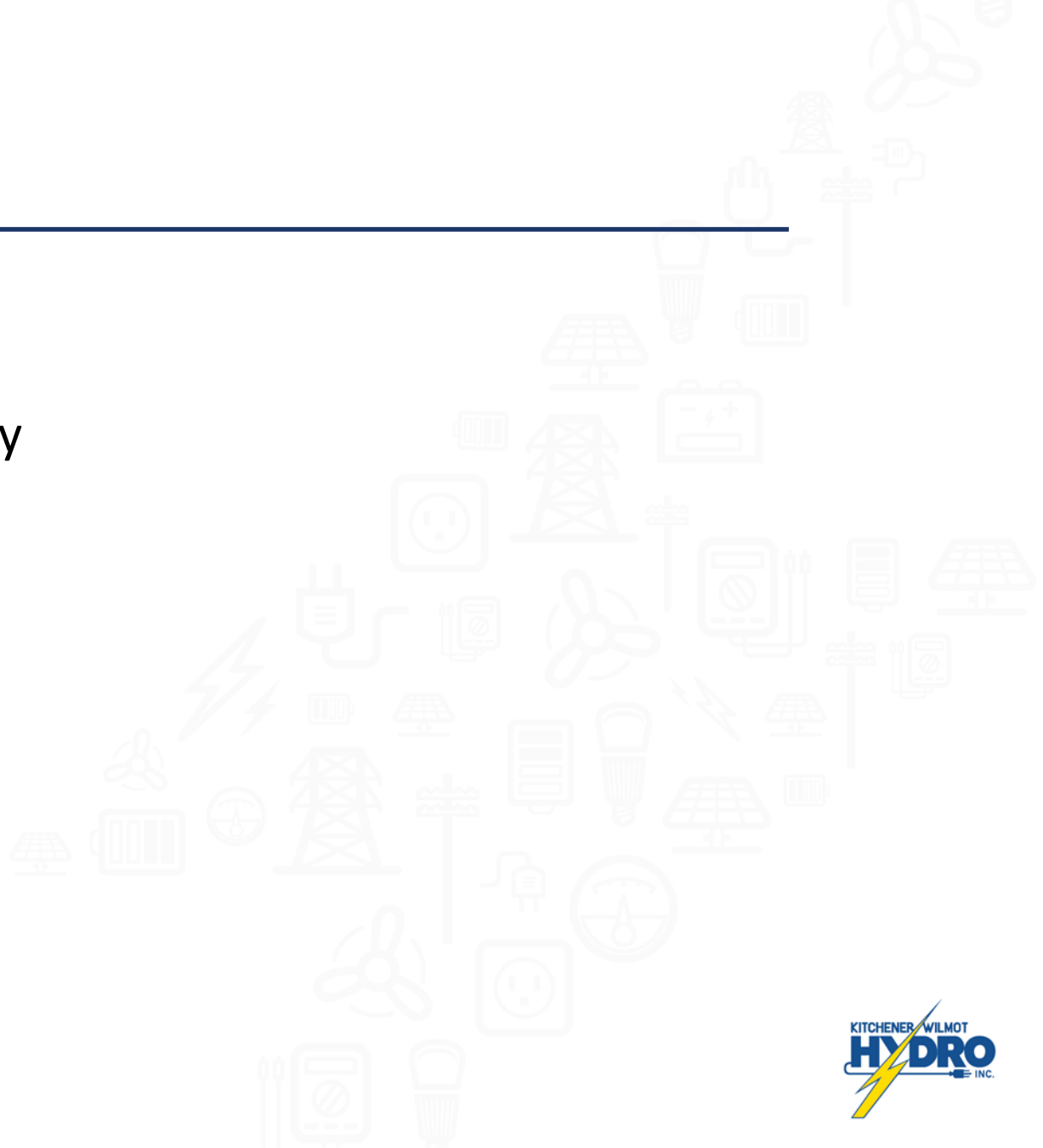
Customer Information System Contract Update

Presentation to KWHI's Board of Directors

May 22, 2019

Agenda

- ☐ Recap
- ☐ Contract Summary
- ☐ Approval



RECAP



Recap of Current State

- Project previously approved in 2018 (January 19th) as part of consortium [REDACTED]
[REDACTED]
- Consortium disbanded May 2018
- KWHI-only solution developed and presented in March 2019
- Board requested staff to negotiate terms of contract with special provisions
 - Go/No-go decision point
 - Termination provisions with regard to change of ownership (regional review outcome)



Financial impacts – Recommended Solution

AITO/OCS estimated costs to implement Oracle CC&B

3rd Party Costs T&M (\$M)	License Fee & Hardware (\$M)	Internal Labour T&M (\$M)	Total One-Time Costs (\$M)	Total Operating Cost (\$M/Yr)	Incremental Revenue Requirement (\$M)	Monthly Impact (All Customers) \$	Monthly Residential Impact \$
5.47	1.29	1.00	7.76	0.37	0.91	0.92	0.51

Note: 3rd Party Costs include 15% contingency



Recommendation

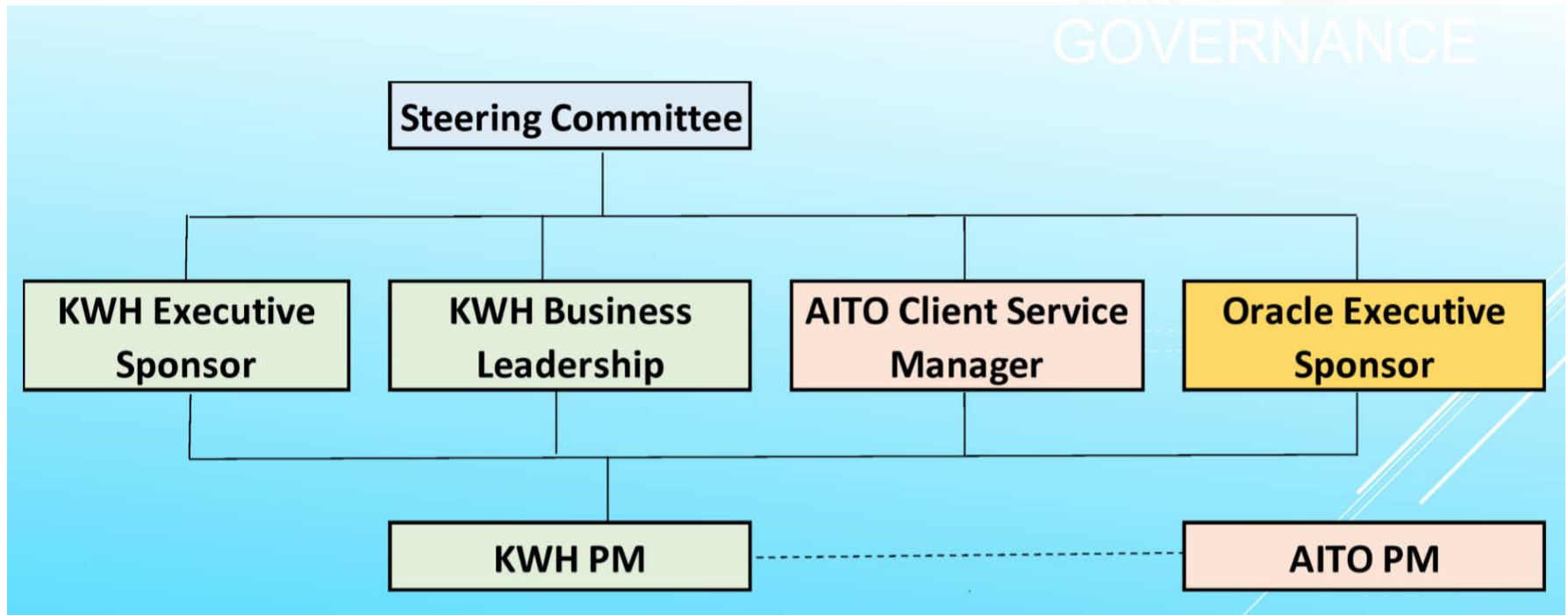
- AITO/OCS joint implementation of Oracle CC&B (Tier 1)
- 16 – 18 month project
- Capex - \$7.76M (includes 15% contingency on system integrator costs and \$1M for internal labour)
- Opex - \$370K/yr (software maintenance fees and application support services)
- Begin implementation Q2/Q3 2019
- Implement in Phases to reduce bill impacts
 - Phase One being the core CIS for customer care, billing & collections
 - Phase Two to add the customer portal & workforce management (additional cost post-2020)



Project Risks and Mitigation

Risk	Mitigation
One remaining programmer close to retirement	<ul style="list-style-type: none">• Must maintain strict timelines to complete CIS project on time• Contract retired programmers to assist, if needed
Significant customer service/CIS changes required from OEB regulation changes	Contact OEB for leave of non-compliance until CIS project complete
Limited resource pool for CIS implementation	Backfill where needed (temporary employees)
Project not moving/implementation issues	Work with AITO/OCS to address - scheduled meetings
End User Acceptance	Implement a change management program and provide adequate training
System Integrator (SI) does not meet the program delivery obligations	<ul style="list-style-type: none">• Establish a steering committee• Ensure SI appropriate subject matter experts• Negotiate reduced hourly rate if estimate exceeded / fix price contracts where possible• Have a well-defined project scope

Project Governance Structure



Contract Summary



Summary of Contracts

- ✓ AITO is prime with OCS subcontracted to AITO to provide Ontario Market customization
- ✓ Time and materials contract
- ✓ Termination Clause
 - Application License (Oracle CC&B)
 - No provisions – required to be purchased upfront (\$1.1M)
 - Implementation Services
 - 14 days notice to SI to terminate without cause
 - Go/No-go decision after blueprint phase (approx. 3 months after project begins) – approx. (\$1.1M SI costs)



Summary of Contracts cont'd

✓ Ownership Transfer

- Application License (Oracle CC&B)
 - Can be transferred to a successor formed through merger/amalgamation

✓ Price Hold

- Application License (Oracle CC&B)
 - 3-year price hold on current negotiated prices for licenses – in the event of adding more customers and/or increasing IT infrastructure that runs the applications (currently planned for a virtual environment)



Approval



Risk of deferral/not proceeding

- Last IT subject matter expert for CIS will retire in 2yrs
- Not in service by 2020 – rate impact – not recoverable until 2025 - \$910K/yr (*total impact \$4.55M*)
- 2020 cost of service budget will be lower – 5yr capex program in jeopardy – approx. \$700K/yr
- Regional review outcome
 - merger means no cost recovery/return for 10 years. CIS will be fully depreciated by then
 - Tier 2 solution may not be suitable for merged entity – will likely have to procure tier1 without cost recovery



Board Resolution for Approval

- *To enter into a contract with AITO/OCS to purchase and implement an Oracle Customer Care and Billing (CC&B) Customer Information System (CIS) to replace the existing legacy CIS at an estimated capital cost of \$7.76M and an annual operating cost of \$370K/year.*





Rate Rebasing/Cost of Service Update

May 22, 2019

Cost of Service Filing

- Filed April 30, 2019 – 3,200 pages
- Letter of Completion received May 10, 2019
- Draft Notice of Application received May 14, 2019

Distribution Revenue

	2020 Filed	2020 * Estimate	2014
Distribution Revenue	\$ 45,527,300	\$ 45,397,600	\$ 38,449,400
Other Revenue	3,243,900	3,243,900	2,073,400
Total Revenue	\$ 48,771,200	\$ 48,641,500	\$ 40,522,800
* Estimate as of March 2019 Board meeting			

Capital Structure and Cost of Capital

	2020 Filed		Cost Rate	Return
	Capitalization Ratio			
	%	\$	%	\$
Debt				
Long-term Debt	56.0%	134,046,000	4.13%	5,536,100
Short-term Debt	4.0%	9,574,700	2.82%	270,000
Total Debt	60.0%	143,620,700	4.04%	5,806,100
Equity				
Common Equity	40.0%	95,747,100	8.98%	8,598,100
Preferred Shares	0.0%	-	0.00%	-
Total Equity	40.0%	95,747,100	8.98%	8,598,100
Total	100%	239,367,800	6.02%	14,404,200

* Total rate-base estimated at March 2019 Board meeting: \$239,335,500

Revenue Deficiency

	2020 Filed	2020 * Estimate	2014
Revenue:			
Revenue Deficiency	\$ 3,473,000	\$3,343,300	\$ 28,000
Distribution Revenue	42,054,300	42,054,300	38,421,400
Other Operating Revenue (Net)	3,243,900	3,243,900	2,073,400
Total Revenue	48,771,200	48,641,500	40,522,800
Costs and Expenses:			
Operating costs	22,427,600	22,427,600	18,774,100
Depreciation & Amortization	11,013,500	11,013,500	7,461,500
Deemed Interest	5,806,100	5,805,300	5,887,500
Total Costs and Expenses	39,247,200	39,246,400	32,123,100
Utility Income Before Income Taxes	9,524,000	9,395,100	8,399,700
Corporate Income Taxes	925,900	798,100	496,900
Net Income	\$ 8,598,100	\$8,597,000	\$7,902,800
* Estimate March 2019 Board meeting			

Bill Impacts

No Rate Riders

Summary of Distribution Bill Impacts						
Rate Class	Consumption				Difference (\$)	Difference (%)
	kWh	/kW Demand	2020 Bill	2019 Bill		
Residential	750		\$ 24.40	\$ 22.66	\$ 1.74	7.68%
General Service < 50 kW	2000		58.37	54.36	4.01	7.38%
General Service > 50 kW	60		514.06	469.06	45.01	9.59%
Large User	5250		27,328.60	25,450.21	1,878.39	7.38%
Street Light	7		111.49	110.09	1.39	1.27%
Unmetered Scattered Load	2000		37.97	36.23	1.74	4.80%
Embedded Distributor	3600		\$ 12,230.64	\$ 8,527.32	\$ 3,703.32	43.43%

Next Steps

- OEB community meeting- early June 2019
- Procedural Order No.1 - mid June 2019
- Interrogatories - end of June 2019
- Settlement conference - early August 2019
- Oral hearing (if required) - mid Sept 2019

KITCHENER-WILMOT HYDRO INC.
BOARD MEETING – FRIDAY, JUNE 14, 2019 – 12:30 PM
AGENDA

Directors – Berry Vrbanovic, Les Armstrong, Richard Cantin, Jim Beingessner, Sandra MacGillivray, Dave Schnarr and Jerry Van Ooteghem

ITEM

- 1 - Call to Order**
- 2 - Election of Chair and Vice Chair**
- FA **3 - Approval of the Agenda**
- 4 - Declaration of Conflict of Interest**
- FA **5 - Minutes of Board Meeting: – March 22, 2019, May 22, 2019**
- FI **6 - Business Arising from Minutes: -**
 - (a) Code of Conduct
- 7 - New Business: -**
 - FA (a) KWHI Business Plan 2019-2021
 - FA (b) Centre in the Square Sponsorship Renewal 2019-2020
 - FI (c) Electricity TOU Rates Between Utilities May 1, 2019
 - FI (d) Minister of Energy Letter – Dated March 21, 2019
 - FI (e) KPC Update
- 8 2019 Strategic Business Objectives: -**

Next Board Meeting - Friday, September 27, 2019
Friday, December 6, 2019

FA – for approval
FI – for information

KITCHENER-WILMOT HYDRO INC.
BOARD MEETING – FRIDAY, JUNE 14, 2019 – 12:30 PM
INFORMATION ITEMS

FI 9 - Operating Reports: -

- (a) System Operating Report
- (b) Conservation and Demand Management Report
- (c) Information Technology Report
 - CIS Update
- (d) Customer Services Report
 - 2019 Electricity TOU Rates – May 1, 2019
- (e) Health & Safety and Human Resources Report
 - New OH&S Management System

FI 10 - Financial and Regulatory Reports: -

- (a) Operating Report and Investments
- (b) Regulatory Report
 - Cost of Service Update

11 - Correspondence: -

- (a) The MEARIE Group Award Letter – Congratulations Public Electrical Safety Excellence Award
- (b) The MEARIE Group Award Letter – Congratulations LDC Performance Excellence Award
- (c) Media Release – Ontario Passes Legislation to Reform the OEB & Repeats Promise to Reduce Electricity Cost
- (d) Media Release – No New Energy Initiatives in 2019 Ontario Budget
- (e) Media Release – Elexicon Energy Introduces New President and CEO
- (f) Hydro One Appointed President & CEO Mark Poweska
- (g) Extend-A-Family – Thank you Letter

12 - Termination of Meeting

KITCHENER-WILMOT HYDRO INC.

MINUTES

Minutes of a meeting of the Board of Directors of KITCHENER-WILMOT HYDRO INC. held at the offices of Kitchener-Wilmot Hydro Inc., 301 Victoria Street South, Kitchener, Ontario on March 22, 2019 at 10:45 A.M.

The following directors were present in person, namely: Chair C. Motz, B. Vrbanovic, L. Armstrong, R. Cantin, S. MacGillivray, J. Beingessner, and President J. Van Ooteghem.

Also present as guests were J. Phillips, D. Schnarr, S. Marsh and D. Schnider

Also present, with the consent of the Board were W. Meston, M. Nanninga, G. Cameron and J. Duscio.

Call to Order

Chair Motz called the meeting to order.

Approval of the Agenda

Upon motion duly made, seconded and carried, the agenda for the meeting held on March 22, 2019 was approved.

Declaration of Conflict of Interest

Chair Motz asked for a declaration of conflict of interest. No conflict of interest was noted.

Minutes

Upon motion duly made, seconded and carried, the minutes of the meeting held November 30, 2018 was approved.

Business Arising from Minutes

- Board Assessment – Phase 1 - Survey

Director Richard Cantin presented to the Board the results of the Phase 1 Board Assessment online survey. Responses were received from five of seven directors. The survey focused on the overall performance of the board as a whole. In general, the survey revealed that the board is working well with some opportunities for improvement noted.

- Code of Conduct

Chair Catherine Motz presented a draft copy of the Code of Conduct to the Board for review and approval. After a lengthy discussion it was determined that further changes of the draft are required and that all comments to be emailed to Chair Catherine Motz. It was also noted that the final copy of the Code of Conduct needs to be approved prior to April 30, 2019 so that it can be submitted with the Cost of Service rate application.

- Governance Update

Chair Catherine Motz provided the Board with an updated status report on the Governance project. It was noted that the Ontario Energy Board's final report on Best Practices regarding Governance of Ontario Energy Board Rate Regulated Utilities was issued on December 20, 2018.

- Mission, Vision Statements

President Jerry Van Ooteghem presented to the Board, Kitchener-Wilmot Hydro's new Mission and Vision Statements. It was recommended to add the word "safe" to the Mission statement as safety is a key value for Kitchener-Wilmot Hydro.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that the Board accept and approve the Mission and Vision Statements for Kitchener-Wilmot Hydro.

New Business

- Annual Report - 2018

M. Nanninga, Vice President of Finance & CFO presented an overview of the Financial Performance for the year 2018. G. Cameron, Vice President of Engineering & IT presented an overview of Capital Investments and Reliability. W. Meston, Vice President Operations presented an overview of Service Quality Performance, Conservation and Customer Rates. President J. Van Ooteghem presented a review of the 2018 Annual Business Objectives.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that the Board accept and approve the Annual Report for Kitchener-Wilmot Hydro Inc. for the period ending December 31, 2018.

Chair Catherine Motz commended the senior leadership team for their performance and for the quality of this year's report.

- Financial Statements

A copy of the Financial Statements for Kitchener-Wilmot Hydro Inc. for the year ending December 31, 2018 was reviewed by the Board.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that, the Board accept and approve the Financial Statements for Kitchener-Wilmot Hydro Inc. for the period ending December 31, 2018.

- Annual Dividend Payment

President Van Ooteghem presented to the Board a recommendation for the Annual Dividend Payment.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that Kitchener-Wilmot Hydro Inc. approve a dividend of \$4,034,000 to Kitchener Power Corp. for the year 2018.

- Tree Planting Funds for 2018

President Van Ooteghem updated the Board on the letters received from the City of Kitchener and Township of Wilmot thanking us for previous support and asking to be considered for the Reforestation Grant again in 2019.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that, a grant of \$45,000. be approved for both the City of Kitchener and the Township of Wilmot for Reforestation projects in 2019.

- Rate Rebasing Budget 2020

M. Nanninga, Vice-President of Finance & CFO presented an overview of the Cost of Service rate application and the Capital Expenditures, and Operating Budget for 2020. President J. Van Ooteghem presented an overview of the Business Plan. G. Cameron Vice-President of Engineering & IT presented an overview of the Distribution System Plan. The rate application includes Capital Expenditures of \$24.6M, Operating Expenses of \$37.9M and total Revenue of \$48.2M for 2020.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that the 2020 Rebase Budget be APPROVED, as presented.

- Customer Information System Recommendation

M. Nanninga, Vice-President of Finance & CFO and G. Cameron Vice-President of Engineering & IT presented to the Board a recap of the Customer Information System project and journey, the options for a replacement system and a recommendation for a new Customer Information System. The Oracle Customer Care and Billing Solution is recommended as the preferred option with a joint implementation by AITO and Oracle Consulting Services (OCS).

A discussion followed on the timing of moving forward with the project while the government is conducting a Regional Review and the risks associated with implementing a large IT project. The board suggested the contract terms needs to include mitigation provisions for extra configuration hours and language for termination and/or change of ownership.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that staff enter into contract negotiations with AITO/OCS for procurement of an Oracle CC&B customer information system and that a special board meeting be arranged in May for final approval.

L. Armstrong left the meeting at 1:02 pm.

- Large Vehicle Pre-approvals

President Van Ooteghem presented to the Board a request for pre-approval on large vehicles for the 2020 budget due to the lengthy delivery time requirements for new vehicles.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that Kitchener-Wilmot Hydro Inc. pre-approve a budget of \$850,000 for large vehicles for 2020.

- Kitchener Power Corp. Update

Chair Jim Phillips and President Van Ooteghem updated the Board on current activities at the KPC Board.

- EDA Rapidsources – Government Announces End to LDC Role in Conservation and Action on OEB Reform

President Van Ooteghem updated the Board on the government's announcement to end the current Conservation First Framework delivered by the local distribution companies and centralize the delivery of the remaining conservation programs through the IESO, which according to the government would result in savings of \$442M over the next three years.

President Van Ooteghem advised the board that currently four staff work in conservation and key accounts and efforts will be made to accommodate them elsewhere in the organization, as conservation winds down or is scaled back, where there are vacancies and/or new positions.

2018 Strategic Business Objectives

President Van Ooteghem updated the Board on the status of the following strategic objectives:

(a) Cost of Service Rate Application

Efforts are on-track to file the 2020 Cost of Service rate application by the end of April 2019. The rate application includes the development of a new three year Business Plan (2019 – 2021) and five year Distribution System Plan (2020 – 2024).

(b) LDC Collaboration - Completed

Collaboration with the Grid Smart City Cooperative is on-going through several committees; and through the joint procurement process for major materials.

(c) Renew Collective Agreements - Completed

New three-year PWU and IBEW agreements have been ratified for the period April 1, 2018 to March 31, 2021.

(d) Select and Develop Formal Safety Management and Workforce Planning Systems

After an extensive review of the available options, CSA Z-1000 was selected as the preferred OH&S Management System for Kitchener-Wilmot Hydro because it includes a significant amount of worker involvement which is a key component of our current successful program.

Upon motion duly made, seconded and carried, IT WAS RESOLVED that, the following items be noted and received by the Board.

Operating Reports

- (a) System Operating Report
- (b) Conservation and Demand Management Report
- (c) Information Technology Report

- (d) Customer Services Report
 - Residential Rates Comparison for Local LDC's
 - Write Off Report Summary 2018
- (e) Health & Safety and Human Resources Report
 - Occupational Health & Safety Policy and Respect in the Workplace Policy

Upon motion duly made, seconded and carried, IT WAS RESOLVED that, the Occupational Health & Safety Policy and Respect in the Workplace Policy be approved.

Financial and Regulatory Reports

- (a) Operating Report and Investments
- (b) LEAP Emergency Financial Assistance Program

Correspondence

- (a) EDA CEO Update – March 4, 2019
- (b) Ottawa Tornadoes Cost Hydro One, Hydro Ottawa \$15.7M, Utilities Estimate
- (c) Conestoga College Scholarships – Thank you Letter

Termination

There being no further business, on motion the meeting was terminated.

Next Meeting – Friday, June 14, 2019 12:30 pm

KITCHENER-WILMOT HYDRO INC.

MINUTES

Minutes of a meeting of the Board of Directors of KITCHENER-WILMOT HYDRO INC. held at the offices of Kitchener-Wilmot Hydro Inc., 301 Victoria Street South, Kitchener, Ontario on May 22, 2019 at 11:10 A.M.

The following directors were present in person, namely: Chair C. Motz, B. Vrbanovic, L. Armstrong, R. Cantin, S. MacGillivray, J. Beingessner, and President J. Van Ooteghem.

Also present, with the consent of the Board were W. Meston, M. Nanninga, G. Cameron and J. Duscio.

Call to Order

Chair Motz called the meeting to order.

Approval of the Agenda

Upon motion duly made, seconded and carried, the agenda for the meeting held on May 22, 2019 was approved.

Declaration of Conflict of Interest

Chair Motz asked for a declaration of conflict of interest. No conflict of interest was noted.

Business Arising from Minutes

- Replacement of the Customer Information System

M. Nanninga, Vice-President of Finance & CFO presented a recap of the process for replacement of the Customer Information System and the financial impacts of the recommended solution. G. Cameron Vice-President of Engineering & IT presented an overview of the vendor Contracts and the risks of deferring the project and not proceeding.

Upon motion duly made, seconded and carried, IT WAS RESOLVED:

“To enter into a contract with AITO/OCS to purchase and implement an Oracle Customer Care and Billing (CC&B) Customer Information System (CIS) to replace the existing legacy CIS at an estimated capital cost of \$7.76M and an annual operating cost of \$370K/year.”

Chair C. Motz requested that a regular progress report be added to the Board reports for Board governance oversight.

- Cost of Service Rate Application

M. Nanninga, Vice-President of Finance & CFO updated the Board on the Cost of Service Rate Application that was filed on April 30, 2019 and that a Letter of Completion has been received from the Ontario Energy Board on May 10, 2019. M. Nanninga also advised the Board that the Notice of Application for a rate increase was placed in the Kitchener Record on May 22, 2019. M. Nanninga also advised the Board of the next steps of the application process.

Termination

There being no further business, on motion the meeting was terminated.

Next Meeting – Friday, June 14, 2019 12:30 pm

Kitchener-Wilmot Hydro Inc.

Policy & Procedure

SUBJECT: Code of Conduct

Department: Board of Directors	Revision: New	Number: BOD-2
Chair, KWHI: Catherine Motz	Issue Date: April 23, 2019 Revision Date:	Page 1 of 4

1. Purpose

The Corporation is committed to providing a business environment built on a foundation of mutual respect and trust, and sound ethical behaviour. This Policy provides standards for the conduct for members of the Corporation's Board of Directors (the "Directors") recognizing that the Corporation is committed to ensuring that in all aspects of its affairs it maintains the highest standards of integrity and public trust.

2. Scope

This Code of Conduct applies to all Directors and to any non-board members of Board committees. Directors are also required to comply with applicable legislation, the Corporation's By-laws, and Board policies of the Corporation.

3. Conflicts of Interest

- 3.1. "Conflict of Interest" refers to a situation or circumstance that creates a risk or a reasonable perception that a Director's duty to the Corporation could be unduly influenced by another interest (be it private, personal or public). A Director has a potential conflict of interest when that Director or a member of the Director's immediate family has the ability to influence directly or indirectly a Board decision or action that leads or could lead to a personal, financial or professional benefit for the Director or a member of his/her immediate family or when a Director's interest or actions are inconsistent with the interests of the Corporation.
- 3.2. All Directors stand in a fiduciary relationship to the Corporation. As fiduciaries, Directors are required to act honestly and in good faith with a view to the best interests of the Corporation.
- 3.3. Directors are held to strict standards of honesty, integrity and loyalty. A Director shall not place his or her personal interests ahead of the best interests of the Corporation.
- 3.4. When a situation or circumstance arises as noted in section 3.1 above, Directors will comply with the requirements of the Corporation's By-laws, policies and applicable legislation.
- 3.5. A Director who is in a position of conflict or potential conflict on a matter to come or which does come before the Board shall immediately disclose such conflict to the Board by notification to the Board Chair. The disclosure shall be sufficient to disclose the nature and extent of the Director's conflict of interest. Disclosure shall be made at the earliest possible

time and whenever possible prior to any Board discussion and vote on the matter before the Board.

- 3.6. A Director shall not participate during the Board discussion or vote in respect of the matter in which he/she has a conflict and shall not attempt in any way to influence Board voting on the matter. At the Board's discretion, the Director may be asked to leave the meeting during such discussion or vote.
- 3.7. A Director who is confronted with a situation that requires further guidance should discuss the specific details of the situation with the Board Chair or the President and CEO in order to protect the interests of the Corporation and the Director. The provisions of section 132 of the Ontario Business Corporations Act, R.S.O. 1990 will be used as a guideline with respect to matters of disclosure regarding conflicts of interest.

4. Confidentiality

- 4.1. Directors and Board committee members owe a duty to the Corporation to respect the confidentiality of non-public information about the Corporation whether that information is received in a meeting of the Board or of a committee or is otherwise provided to or obtained by the Director or committee member. Directors and Board committee members shall not disclose or use for their own purpose any Confidential Information concerning the business or affairs of the Corporation, unless otherwise authorized in advance by the Board.
- 4.2. It is recognized that the role of Director, upon approval by the board, includes representing the interests or position of the Corporation to outside parties. However, such representations must be respectful of and consistent with the Director's duty of confidentiality. A Director is in breach of his or her duties with respect to confidentiality when information is used or disclosed for purposes other than those of the Corporation.
- 4.3. "Confidential Information" means any data or information of the Corporation that is not generally available in the public domain, whether written, oral or electronic and whether or not it is identified as "confidential".
- 4.4. Any questions relating to confidentiality issues and Confidential Information should be referred to the President and CEO in order to protect the interests of the Corporation and the Director.

5. Respectful Conduct

- 5.1. Directors bring to the Board diverse backgrounds, skills and experience. Directors will not always agree with one another on all issues. All discussions at Board and committee meetings shall take place in an atmosphere of mutual respect and courtesy. The authority of the Chair must be respected by all Directors.
- 5.2. Directors shall seek to understand concerns, issues or differences of opinion and constructively and professionally provide feedback or recommendations for resolution while keeping Board meetings efficient and effective.

6. Board Solidarity

- 6.1. Directors acknowledge that properly authorized Board actions must be supported by all Directors. The Board is to speak with one voice with respect to any communications from

the Board. Any Directors who may have abstained or voted against a motion must adhere to and support the resolution made by a majority of the Directors.

7. Board Spokesperson

- 7.1. Directors acknowledge that the Board Chair, or the Chair's designate, is the only official spokesperson on behalf of the Board. Every Director and Board committee member shall ensure that no statement, not authorized by the Board, is made by him or her to the media or public.
- 7.2. No Director shall speak or make representations on behalf of the Board unless authorized by the Chair or the Board. When so authorized, the Director's representations must be consistent with accepted positions and policies of the Board.
- 7.3. The President and Chief Executive Officer, or his/her designates, may speak on behalf of the Corporation.
- 7.4. News media contact, responses and public comment about the Corporation's affairs shall be made only through the Board's authorized spokesperson(s). Any Director who may be questioned by a member of the media or the public shall refer such inquiry to the appropriate representative of the Corporation.
- 7.5. If/when a Director who is a mayor of a shareholder of the Corporation speaks publicly about the Corporation, he/she must clarify in advance that he/she is doing so on behalf of that shareholder, to make the distinction that he/she is not speaking as a spokesperson of the Corporation or Board unless so authorized by the Chair consistent with section 7.2 above.

8. Obtaining Advice

Board requests to obtain outside services, information or advice regarding matters before the Board or that may come before the Board shall be made by the Board Chair or as he/she might designate.

9. Amendment

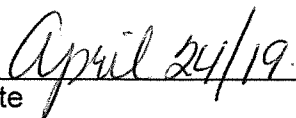
This policy may be amended from time to time by the Board.

10. Approval

This Policy was approved by Resolution of the Board of Directors of the Corporation on April 23, 2019.



Signature of Chair



Date



Name (Please Print)

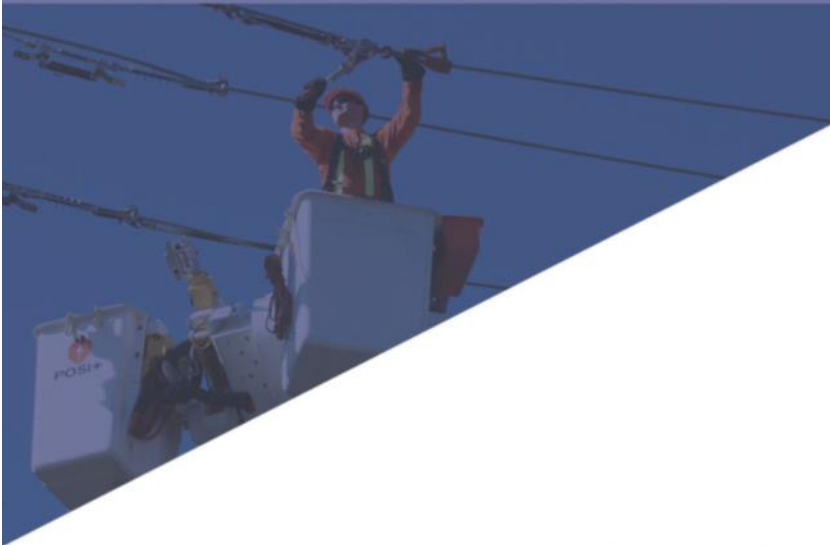
11. Acknowledgement of Director

I, individually as a Director, acknowledge that I have read, understood and agree to comply with this policy and that failure to comply with this policy may result in sanctions pursuant to Part XVII of the Ontario *Business Corporations Act*, R.S.O. 1990.

Signature of Director

Date

Name (please print)



2019 - 2021 BUSINESS PLAN

• MISSION

We care for our customers, community, employees and stakeholders and provide value through the distribution of safe, efficient and reliable power.

• VISION

Empowered by a dedicated and responsive team, we will be the preferred energy provider and trusted partner for our community.

• COREVALUES

FINANCIAL RESPONSIBILITY

We respect customer and shareholder interests and maintain reasonable rates by making thoughtful spending decisions that maximize value.

SAFETY

We are committed to protecting our employees and community by taking a proactive approach to safety and wellness at work and at home. We set the example.

CUSTOMER FOCUS

Customers are at the centre of what we do. We aim to exceed expectations through caring and respectful interactions and providing reliable service.

COMMUNICATION

We are committed to engaging our customers and employees through timely, respectful, transparent and reliable communications.

ACCOUNTABILITY

We are responsible for our decisions and actions. We learn from failures and build on successes.

TRUST

Trust is essential for meaningful and empowering relationships. We earn the confidence of our customers and fellow employees by being honest and considerate in all we do.

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1.0 Executive Summary

Kitchener Wilmot Hydro Inc.'s ('KWHI') three-year Business Plan ("the Plan") reflects the organization's continued efforts in maintaining its standing as a low cost, safe and reliable provider of electricity distribution services, with one of the lowest customer rates in Ontario. The introduction of a defined process to reach out directly to customers to better understand their needs, priorities and preferences aligns with KWHI's business model and core values (*Customer Focus, Financial Responsibility, Safety, Communication, Accountability & Trust*).

The Plan reflects on KWHI's prudent and measured approach over the past many years in executing its business model and operational activities. The Plan also identifies the evolving and transformational changes impacting the electricity sector and outlines how KWHI seeks to maintain a reasonable pace in implementing new programs and technology against controlling costs, managing risk and meeting customer expectations. The Plan supports the need to prepare for the changing environment and new technologies and has strong support from customers (Customer Engagement results-Section 3.0) who agree with the current, and/or increased spend "in order to improve service further."

As part of its Cost of Service Application ('COS') process, KWHI engaged third-party expertise to undertake the required customer engagement. The process began in February 2018 and took almost ten months to complete. Customer feedback provided affirmation of KWHI's proposed Plan, a better understanding of customers preferences, and resulted in adjustments to the operating and capital budgets to better support improved reliability and reduction in outages; acceleration of the current pole replacement program; installation of automated switches to reduce restoration times; and, taking a reasonable paced approach in overall investments. KWHI appreciates that its customers recognize the need to replace its aging Customer Information System ('CIS'), and notes that in general there is "not a strong interest" that the new system needs to provide additional service offerings beyond the core system.

The total spend (net of amortization and non-utility operations) changes little between the years 2019 and 2021, remaining at \$52.1M. While KWHI will continue to look for efficiencies wherever possible, there are limited opportunities to reduce costs. KWHI has budgeted for an average increase of 2.2% per year for controllable expenses over the 3 year period. KWHI has utilized a "total spend" approach for many years, moving dollars spent between capital and operating as required, always cognizant that the same pool of limited resources is used to accomplish the needed programs and the same customer is paying for both. The total spend includes new capital investments of \$74.9M over the three years, focused primarily on the completion of a new CIS, accelerated pole replacements and construction of additional capacity to downtown Kitchener.

The Plan provides a high-level overview of the initiatives and programs that account for KWHI's next three-year planning cycle (Section 5.0). KWHI has aligned its activities and focus with the results of its customer engagement feedback. To demonstrate alignment to customer preferences the benefits to customers are outlined for each of the key initiatives.

KWHI utilizes ISO31000 guidelines on Enterprise Risk Management ('ERM') to identify critical risks and mitigation efforts. Section 6.0 provides an overview of critical areas of risk and those material risks in achieving the Business Plan. The most notable risk is a potential CIS system failure. The current CIS operates on an antiquated and unsupported platform. Failure of the system would be critical and could significantly impact business continuity, cash flow; and KWHI's customers in all rate classes.

A prudent and sound Financial Plan, that includes a modest increase in staffing levels, is included in Section 7. KWHI's Financial Plan assumptions are based on: 2.0% inflationary increase beyond 2020; regulatory assets/liabilities not estimated beyond known items; and, the discontinuance of KWHI-led Conservation & Demand Management ('CDM') programs in 2019.

KWHI has taken its customers needs, priorities and preferences into strong consideration in developing its three-year Business Plan. The organization has a solid understanding of its current and future challenges relative to technology, resources and a changing energy sector/environment. The Plan allows KWHI to continue as a financially viable business, that continually balances cost against customer value.

2.0 Industry and Business Analysis

2.1 Historical View and Changes

KWHI has been part of the local community for more than 100 years. With a service territory of more than 425 square km., a staff of 180 and more than 96,000 customers, KWHI effectively manages a distribution system that includes more than 1,950 km of overhead and underground distribution lines, more than 23,000 power poles, more than 10,800 transformers and 8 transformer stations. KWHI continues to provide safe, reliable service for all its customers' electricity needs.

KWHI has a reputation for taking a prudent and measured approach in its business model and practices over the years. KWHI considers a reasonable rate of implementing programs against controlling its costs while appropriately managing potential risk factors. This practice has served it well over the years. KWHI has been financially prudent, investing the appropriate amount into replacing its assets and maintaining its distribution system over the years while reserving a strong cash-on-hand financial portfolio.

KWHI has consistently been one of the lowest cost providers in the Province with corresponding low rates. However, it recognizes that the sector is rapidly evolving along with customer expectations and there will be an increasing need for investment in new technology, systems and the right skilled people.

KWHI's business approach considers the effect on the customer first, the potential impact to customer rates and reliability against its ability to maintain a safe and reliable distribution system. KWHI's Plan sets forth programs and initiatives tied to objectives that will position it to: effectively respond to an evolving business model; introduce enabling technologies; and, find the balance between prudence, affordability and its ability to meet customer expectations.

2.2 Industry Trends and Future Landscape

The electricity sector in Ontario continues to evolve and transform, driven in part by technological changes, a trend that is rapidly accelerating. Increasingly, regulators are seeking to facilitate the entry of new service providers as well as placing greater emphasis on interactions with customers.

At the same time, the provincial government is also seeking ways to further reduce the electricity bill. Voluntary consolidation of Local Distribution Companies (LDC's) continues throughout the province as distributors look for increased efficiencies through economies of scale and to prepare for a changing regulatory and technology environment. Cooperatives have also formed as an alternative to consolidation.

The role of the energy consumer is also rapidly changing. Customers are more empowered and tech savvy, seeking personalized and relevant on-demand services, as well as smart home ecosystem solutions. Customers are no longer simply users of electricity - through participation in solar generation, energy storage and energy reduction programs - they have become electricity suppliers.

With a growing reliance on technology and automation, cyber security has become a major focus for the sector. The security of the industry's information and network infrastructure is vital to consumer privacy, public safety, economic growth and national defense.

Existing LDC business models will be challenged to respond to competing technologies, such as microgrids, fuel cells and energy storage coupled with Disruptive Energy Resources (DER's). The Provincial government's legislation to move away from LDC's involvement in electricity conservation may have a negative impact on LDC's post-2019.

Building a strong and experienced workforce (both traditional and non-traditional skill sets) continues to be a challenge due to labour and skills shortages, for some jobs, across the electricity sector not only in Ontario, but throughout Canada.

2.3 Environmental Scan

The following table provides a high-level environmental scan identifying those elements (both internal and external) that may positively impact and/or challenge KWHI's ability to meet its multi-year objectives and customer expectations.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Lowest Operating (OM&A) cost per customer in Ontario • 7th largest LDC in the Province • Consistently high-quality delivery of performance measures prescribed in OEB Scorecard • One of the lowest residential rates in Ontario • Own 8 transformer stations – control costs/expenses, not tied to Hydro One response or cost structure • Solid financial performance and strong Balance Sheet • Historically conservative and lean organization • GridSmartCity ('GSC') Cooperative = synergies, shared services, combined cost savings • Fixed rate design for residential customers removes LDC risks due to small-scale generation, and reduced consumption • Steady customer growth 	<ul style="list-style-type: none"> • Near end life of legacy CIS and other back office software applications • Insufficient business intelligence/data • Aging workforce in some business areas • Lower Return on Equity ('ROE') due to being underleveraged • Flat revenues (due to declining kWh/kW sales) • Extreme weather event impacts on distribution system • Continuous productivity/efficiency requirements when already lean organization • Managing increasing regulatory obligations/costs (e.g. New Customer Service Rules, Cyber Framework, Disconnect Moratorium, COS filings) • Declining cash balance due to IFRS impact on amortization costs • Low rates (low revenue per customer)
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Ability to borrow money due to strong financial position • Government shift in focus away from DER's to SAFE, RELIABLE and AFFORDABLE • Government focus on regulatory streamlining • IESO Market Renewal Project • Emerging technologies – EV chargers, energy storage 	<ul style="list-style-type: none"> • Legislative pressure to reduce rates and rate increases • Forced consolidation into regional LDC's • Flat/declining kWh/kW sales • Disruptive technology changes that make behind-the-meters solutions more attractive • Financial/Reputation risk due to regulatory / government policy changes • Cyber attacks (hackers/system breaches) • IESO Market Renewal Project • End of LDC funding for conservation programs

2.4 Industry and KWHI Benchmarks

KWHI is supportive of the Ontario Energy Board's ('OEB') Renewed Regulatory Framework for Electricity ('RRFE') and in particular its expectation that LDC's operate within an efficient, reliable and sustainable business model that demonstrably provides value to customers.

KWHI's business model assigns accountability to results-driven performance based on achieving and/or exceeding the OEB Scorecard objectives, in addition to other Key Performance Indicators ('KPIs') to support continuous improvement.

KWHI demonstrates value for money for its customers by maintaining one of the lowest distribution rates in the province, and as a low-cost provider continues to provide services that meet its customers' needs and preferences. This is demonstrably evident in KWHI's OEB Scorecard ranking for 'answering telephone calls on time'. Customers have told us that one of the things they most look for in interactions with KWHI is how quickly their calls are answered by knowledgeable staff. In 2018, KWHI exceeded the industry target of answering 65% of telephone calls, in person, by achieving a 92% call answer rate with only a 1.46% abandon rate. This provides a solid example of providing value for money to its customers and directly meeting their needs.

In 2017, in an independent, third-party survey KWHI achieved an "A" in overall customer satisfaction, with respondents indicating a strong trust and confidence in KWHI's ability to manage ongoing operations. Also, of note were high customer scores for the knowledge and helpfulness of staff in responding to customer inquiries.

In addition to the OEB Scorecard and customer satisfaction survey, KWHI uses a number of resources to benchmark its performance against its peers including:

- PEG Benchmarking Report
- OEB Yearbook of Electricity Distributors
- OEB Bill Calculator
- GridSmartCity reliability comparators
- Internal year-over-year comparators

KWHI also plans to incorporate additional internal KPI's (leveraging investment in technology and system improvements) over the next three years that will continue to drive efficiencies and productivity improvements.

3.0 Customer Engagement

KWHI engaged Innovative Research Group (IRG), to undertake its customer engagement research and assist in identifying its customers' preferences. The engagement took a three-phased approach:

Phase I: Working with KWHI staff, IRG identified outcomes and criteria, by diving deeper into 'what KWHI already knows about its customers'.

Phase II: Pre-consultation activities built on Phase I information by transforming identified customer priorities and preferences, into a workbook narrative that developed choices for customers to better understood the operations of KWHI and provide feedback.

Phase III: Customers were actively engaged using three methods of interaction:

- 1) Customers volunteered to participate in an on-line workbook questionnaire;
- 2) Telephone survey with low-volume customers; and,
- 3) Workshops for General Service Customers with demands >50 kW and <5000 kW.

IRG also validated the process by engaging multiple stakeholders, including Interveners and OEB staff. IRG interacted with a total of 2,515 Customers, 2,478 low volume and 37 mid and large size business customers – representative of almost 3% of KWHI's total customer base.

IRG's process took almost ten months to complete, providing KWHI with its findings at the end of December 2018. Below are the high-level findings indicating KWHI's customers priorities and preferences.

PRIORITIES	PREFERENCES
<ul style="list-style-type: none">• Keep distribution rates low by pacing investments• Reduce length and number of outages• Improve reliability• Pursue collaboration efforts with other LDC's to reduce costs	<ul style="list-style-type: none">• Accelerate or maintain current pole replacement program• Accelerate or maintain power transformer replacements• Install automated switches to reduce outage time• Replace CIS with a core system

KWHI has embedded these findings and expectations, to the extent possible, within its Business Plan and multi-year priorities.

4.0 Business Plan Principles and Framework

As part of its Business Planning cycle, KWHI considers critical elements and areas of alignment in developing its multi-year plans.

To align customer needs across all KWHI's lines of business, the organization took a collaborative approach in developing its business objectives and multi-year Plan. Driven by the Chief Executive Officer ('CEO') and senior team, the organization undertook an extensive process that engaged operational teams to develop the Plan. Aligning the input against current and future customer and business needs, the senior team collectively developed supporting objectives.

Business Plan Strategic Principles

KWHI has identified four areas of critical focus that although they stand alone, they rely on each other to:

- a) be responsive to customer expectations,
- b) strive for continuous improvement, (Operational Excellence)
- c) support a strong balance sheet and sustainable company, and
- d) be responsible in effectively managing its people and safety practices.

Within each area, KWHI has identified key imperatives to support a balanced approach operationalizing its multi-year Business Plan.

See KWHI's Business Priorities at a Glance ([Appendix 9.1](#))

The focus areas closely align with those used by the Ontario Energy Board's regulatory scorecard which are as follows:

- Customer Focus
- Operational Effectiveness
- Public Policy Effectiveness
- Financial Performance

Balanced Scorecard ('BSC') Framework

KWHI operates within a BSC framework aligned to its multi-year strategy. The BSC approach sets clearly defined goals and measurements that support the achievement of KWHI's strategic principles. The BSC is reviewed and updated annually to meet and respond to the changing needs of customers and the business. The BSC is operationalized throughout the organization by setting objectives and performance expectations that align to its strategic imperatives. KWHI's Business Plan Priorities for 2019-2021 are identified in Appendix 9.1 and Section 5.

4.1 Responsive to Customer Needs

As a customer centric organization, KWHI's business decisions consider both the positive and negative potential impacts on customers and rates. KWHI's customer value proposition is defined as:

- Customer focus from the top down
- Customer needs aligned across all lines of business
- Measuring what matters to the customer
- A balance of efficiency, reliability and customer affordability

KWHI bi-annually conducts a third-party industry specific Customer Satisfaction survey, and uses the feedback to focus on areas for improvement, specific to customer responses and what is important to them.

Section 3.0 identifies the extensive process that was used to engage its customers in identifying customer needs, priorities and preferences for the 2020 Cost of Service application. On-going annual customer consultation is part of the Business Plan.

The following strategic principles have been identified for the current business plan:

➤ **Customer Engagement Outreach**

Decisions informed by customer preferences, cost effective delivery of services that matter to customers.

➤ **Customer Information System/Customer Relationship Management System**

Leverage technology to enhance customer service interactions, interfaces and allow customer choices.

➤ **Conservation and Demand Management**

Assist customers with electricity conservation to reduce costs.

KWHI remains on track to meet and exceed its target of 105.7GWh of energy savings by December 2020, to be achieved through a suite of energy efficiency programs under the 'Save on Energy' brand, offered to both residential and commercial customers. KWHI is active in the community, educating and communicating with customers to assist them in managing their energy costs.

Note that the provincial government has announced changes to the current conservation framework effective April 2019. KWHI will continue to support its customers through the end of 2019 who have approved applications in the pipeline.

A conservation framework has not yet been established for post 2020. At this point, there is uncertainty as to whether the provincial government will continue these programs following the end of the current platform.

4.2 Operational Excellence

KWHI supports a culture of continuous improvement aligned to productivity improvements, efficiency gains and identifying opportunities to contain or offset costs. KWHI believes there are three critical success-factors in realizing on continuous improvement, and imbeds the following into its business decisions and practices:

- **Benchmark Performance** against industry and internal measures. KWHI evaluates its success against key performance factors and will continue to add and monitor KPI's that add better value for its customers.
- **Identify and Eliminate** inefficiencies and those barriers that challenge KWHI's ability to continuously improve.
- **Monitor and Manage** by setting objectives aligned to customer expectations and KWHI's strategic direction. Utilize and empower people to find and offer solutions to improve productivity and efficiencies across the organization.

The following strategic principles have been identified for Operational Excellence.

➤ **OEB Scorecard**

Meet and/or exceed industry benchmarks.

➤ **Collaboration**

Increase efficiencies and customer value, synergize operations through GridSmartCity cooperative buying power and other initiatives.

KWHI is proud to be a founding member of the GSC Cooperative. The legal entity has a formalized structure where 14 LDC members have committed to a mandate to:

- Increase efficiency and customer value within the 14 LDC territories, while benefiting the Ontario electricity sector as a whole
- Synergize operations through a cooperative approach to buying and numerous special initiatives
- Leverage joint purchasing strength for goods and services at lower prices based on economies of scale
- Provide access to expertise, resources and scale, to enhance value to customers, manage delivery costs effectively and, as thought leaders, prepare for future business models and technology changes in the energy sector

The Cooperative's approach aligns with the Province of Ontario's desire for LDCs to find ways to achieve greater efficiencies of scale and scope in their operations in order to provide cost benefits to customers.

KWHI and its fellow GSC members have established a successful business model as a viable alternative to LDC consolidation. It has proven that by working collectively and for the same purpose, it can continue to achieve real savings and synergies. For KWHI, this outcome supports its commitment of maintaining lower rates for its customers. It also provides opportunities and the ability to more easily respond to challenges and take advantage of opportunities - that come with greater size and scope.

Further, its LDC members have direct roots in their communities, a major differentiator that impacts performance in many functional areas. Defined as 'Local Care,' this dynamic has a

significant beneficial impact on customer responsiveness, restoration efforts and community safety. Providing personalized attention and being involved in the community is identified as an important part of KWHI's business practices, for its customers.

➤ **Asset Management**

Proactive management of our physical infrastructure to improve grid resiliency and reliability.

A comprehensive Distribution System Plan (DSP) has been developed and stakeholdered with our customers to identify and prioritize capital projects in order to maintain our distribution assets and reliability. Please refer to the DSP for additional details.

4.3 Growth and Sustainability

A financially strong and viable company is key to KWHI's success and its ability to deliver the services that its customers expect. This includes maintaining a strong balance sheet while earning a fair rate of return for our shareholders. KWHI continues to look for ways to control costs and deliver value to its customers as one of the most cost-efficient distribution companies in the province.

KWHI also recognizes that the energy sector is changing due to new technologies that make it more feasible to generate and store electricity. The electrification of the transportation sector will also have a significant impact on the grid. KWHI's distribution system will need to adapt to accommodate these technology changes and meet future customer needs. With all these changes comes additional risks that KWHI will need to consider when implementing new technologies and systems.

The following strategic priorities have been identified as guiding principles for this section of the business plan.

➤ **Strong Financial Stability**

Meet or exceed OEB deemed ROE, Total Debt/Equity, and Liquidity Ratios.

A strong, viable and sustainable distribution company is critical to KWHI's success.

➤ **Adaptability**

Plan development of the distribution system to meet future customer needs.

The DSP in the Appendix provides additional details.

➤ **Enterprise Risk Management (ERM)**

Identify and mitigate risk to protect the business/customers/employees.

Please see section 6 for the top enterprise risks and mitigation strategies.

4.4 High Performance Culture

As with any organization, a talented and engaged workforce is key to its success. This is especially true for a service organization like KWHI. A strong safety culture is equally important given the serious risks involved with the distribution of electricity.

The following strategic priorities are integral to the success of this business plan.

➤ **People and Culture**

Attract, retain, engage and develop the right capabilities, to support a Customer Centric organization.

➤ **Safety**

Develop a proactive Leading Indicator Safety culture, concerned with employees' well-being to ensure a fit and ready workforce.

5.0 KWHI's 3-Year Business Plan Priorities

KWHI has set its multi-year priorities and objectives based on multiple inputs. The organization relied on direct and candid input from its customer engagement initiatives; its commitment to advanced technology and employee skills to meet emerging changes; and, its focus on continuous improvement through opportunities to contain costs, increase productivity and find efficiencies.

A high-level overview of the initiatives and programs below account for KWHI's multi-year Plan. These initiatives are used to prepare KWHI's Annual Business Objectives for each year which are approved by the Board of Directors along with the Operating and Capital budgets. Please see Appendix 9.2 for KWHI's Annual Business Objectives for 2019.

5.1 People and Safety

Year-over-Year Change in Headcount

KWHI forecasts it can continue to maintain its current level of service to its customers' and complete its operational plans while shifting skills as required to meet the changing demands of the evolving sector – with minimal impact to its 2018 full-time employee count over the three-year Business Plan.

Below is a table providing a high-level overview of full-time employees for 2018, and projected total staffing for KWHI over the term of its three-year planning cycle. KWHI has made assumptions based on historical trends when considering attrition rates.

2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast
Skilled Trades Positions			
85	86	87	87
Trades Supervisory Positions			
29	29	29	29
Non-Trades Positions (union/mgmt.)			
64	66	67	67
Total			
178	181	183	183

Below is a table providing the projected (eligible) retirements over the next five years.

2018	2019	2020	2021	2022
15	7	8	6	9

Salary/Wage Increase Projections

Unionized Employees

KWHI manages two Collective Agreements ('CA'). One for its inside workers (50 employees) represented by the International Brotherhood of Electrical Workers ('IBEW') Local 636 and one for its outside workers (73 employees) represented by the Power Workers Union ('PWU') Local 1000. Both CA's were renewed in 2018 for 3 years and expire effective March 31, 2021.

Salaried Employees

KWHI pursues a compensation strategy, striving to pay salaried employees at the average of market competitive rates. The organization engages the services of an independent external compensation consultant who works with the President & CEO to analyze the competitive markets and to establish total compensation that will attract, retain and motivate employees.

Lean Organization Structure

KWHI operates a lean organization, with a relatively flat organizational structure. Although this approach can provide quicker decision-making and better alignment, it affords no bandwidth between Vice President and Manager positions. This results in more hands-on effort at the senior level, and can limit career development for Managers and Supervisors, and lead to succession planning constraints.

Training and Development

KWHI will need to be nimble and shift its recruitment tactics, training and leadership development programs to attract the new skills and competencies it will require to meet the changing LDC environment. KWHI's three-year Plan and budget provides for programs that will continue to support its focus on having the right skills, in the right seats, at the right time.

Leading Indicator Safety Culture

KWHI's people and safety philosophy is simple: ***Maintaining a skilled workforce and safe work environment (training, compliance), and paying attention to employees' general health and welfare (attendance management, wellness programs, employee assistance providers, etc.) will ensure that the workforce is fit, ready and well prepared to maintain the distribution system (keeping the lights on, responding to customer needs) and support its ability to be a customer centric organization.***

Over the years, KWHI's safety program has supported its philosophy well, yet the organization recognizes the need to shift its focus to a more predictive and proactive Leading Indicator Safety program. A strong operating discipline is required to create a safety culture where: all employees take accountability for their own safety and that of their coworkers; where leadership sets an example that no Lost Time Injury is acceptable; and, where progress is tracked, measured and improved. When healthy and safe organizations employ this operating discipline, they are able to provide management with leading indicator metrics that track and assess the effectiveness of the organization's efforts.

Below are the key People and Safety initiatives and programs for the 2019 – 2021 period:

PEOPLE	BENEFIT TO CUSTOMERS
<p>Leadership Training/Employee Culture Develop a 'change ready' leadership team</p> <ul style="list-style-type: none"> • Corporate culture sustainment plan (2019) • Skills Matrices for each position (2019-2020) • Promote and integrate the corporate values, vision and mission statements into the organizations DNA and develop a plan to communicate to employees • Employee engagement survey comparisons (2014 versus 2018) Provide feedback to the organization and continue to work on follow-ups • Leadership Development Program for new emerging leaders (2019) 	<ul style="list-style-type: none"> • Employee engagement relies on the relationship and daily interactions with individuals' supervisors <ul style="list-style-type: none"> ○ Positive and consistent interactions correlate with better attendance & employee health, a more productive workday and reciprocal positive interactions with others (including customers, vendors, etc.) ○ Good for business and corporate reputation ○ Higher employee retention
<p>Results-Driven Performance Management (2019)</p> <ul style="list-style-type: none"> • Enhance current evaluation process aligning results and effort to outcomes • Deploy and train management on new HR tools (Ultipro HR/Payroll system) and processes to: <ul style="list-style-type: none"> ○ evaluate both hard and soft skills (competencies) ○ set, measure and evaluate against Specific, Measurable, Achievable, Relevant and Timely ('SMART') objectives • Hold individuals accountable for outcomes tied to annual increases 	<ul style="list-style-type: none"> • Results in better management of individual performance, productivity and outcomes <ul style="list-style-type: none"> ○ Objectives tied to realized cost reductions, productivity improvements and efficiencies ○ Objectives directly tied to operationalizing programs/initiatives, business plans and strategies to meet customer needs and expectations
<p>Succession Planning (2019-2020)</p> <ul style="list-style-type: none"> • Mitigation of risk relative to immediate, short-term and/or planned departures of the senior team • Develop Succession Program <ul style="list-style-type: none"> ○ Identify & plan for contingency ○ Identify potential candidates against current and future skills/experience/competencies ○ Develop personalized development plans for individual candidates ○ Monitor, reassess annually 	<ul style="list-style-type: none"> • Poor or no succession planning can lead to a lower quality of care (financial and customers) • Not planning for unexpected departures can leave KWHI without critical customer service leadership and direction (impeding customer programs and KWHI's customer value proposition)
<p>Negotiate Collective Agreement (2021)</p> <ul style="list-style-type: none"> • Successfully negotiate, and consistently apply both new Collective Agreements ('CA') <ul style="list-style-type: none"> ○ Achieve negotiations mandate ○ Develop contingency plan 	<ul style="list-style-type: none"> • Contingency planning in the unforeseen event of a work stoppage or strike – to maintain key business functions and mitigate impacts to customers • Contain rising cost of Health and Dental benefits and non-wage benefits
SAFETY	BENEFITS TO CUSTOMERS

Leading Indicator Safety Culture

- Update 5-Year Safety Strategy and Action Plans (2019)
- External Safety Audit (2022)
 - Measure progress against 2016 Audit
- Develop Safety and Training Matrix (2018-2022)
 - Re-Assess training needs (changes in legislation, etc.)
- Integrate other skills training
- Undertake Phase II Hazard Registry Development (2019-2020)
- Introduce Formal OH&SM System CSA Z1000
 - Gap analysis (2019)
 - Implement, educate and train (2019-2022)
- Mental Health Assessment (2019)
 - Pre-emptively identify potential mental health issues and stressors for employees
 - Develop supportive programs and training
 - Increase staff with Mental Health First Aid training
- Validation of required training needs against current historical practices should identify redundant training or areas for consolidated training = reduction in training costs and productivity improvements
- Reduction in LTI's and employees away from work for mental health and other issues = decreased costs (replacement workers, administration), improved customer service (full complement of Full Time Employees and positive impacts on public safety)

Multi-Year Safety & Training Matrix (2019-2022)

- Assess legislative and compliance training (must have) for all skilled positions
- Identify all training by position and associated costs
- Develop analysis of historic training and budget against currently required
- Implement changes to training programs and keep within budget limits
- Reduction/control in safety training costs
- Increase in productive time for trades with less time spent in classroom and/or external training

Public Safety (2019-2022)

- Expand # of public safety videos
 - Continue with electrical safety education for first responders
 - Continue with bi-annual contractor safety day and other contractor education
 - Improved public education
 - Improved contractor education results in fewer contacts with overhead and underground lines
-

5.2 Innovation and Enabling Technologies

As customers become more dependent on uninterrupted flow of electricity, the need to be able to respond to outages in an expedited manner increases. This requires the ability to leverage technology in the field to allow remote operation of devices, and investment in a modern Customer Information System (CIS) and Outage Management System (OMS) to provide customers with timely updates. Updates will take multiple forms such as a public outage map, social media channels, telephone, and Interactive Voice Response (IVR). From a utility perspective, staff should also have tools that can provide real time analytics to get a glimpse into how the utility is performing with regards to revenues, expenses, project management, etc.

The following key initiatives form part of KWHI's efforts to innovate and implement enabling technologies to continue providing the level of service our customers have come to expect.

INNOVATION AND ENABLING TECHNOLOGIES	BENEFIT TO CUSTOMERS
<p><i>New CIS System (2019-2020)</i></p> <ul style="list-style-type: none"> • Legacy system unsupported COBOL system • Limited flexibility – antiquated platform • Eliminate manual workarounds • Accommodate trans-active energy, billing settlement based on customer buy/sell • Improve data analytics to make quicker more integral decisions • Ability to tie Mobile Workforce Management System to new CIS system • Improve Business/Data Analytics 	<ul style="list-style-type: none"> • Offer customer centric solutions • Self-Serve options for customer utilization 24/7 • Customized energy management solutions • More proactive vs. reactive capabilities to provide data and solutions to customers (green button) • Robust personalized customer information to make interactions quicker and more personal • Mobile Workforce Management Ground Positioning System ('GPS') provides quicker identification of issues and quicker response times • Pace implementation of additional services beyond core CIS to minimize bill impacts
<p><i>Integrated Voice Response System (IVR) (2021/2022)</i></p> <ul style="list-style-type: none"> • Give customers better and instant information • Automate crew call out process • Self-serve options for customers 	<ul style="list-style-type: none"> • Integrate with Outage Management System in 2021/2022 to improve customer response times • Pace implementation of additional services beyond core CIS to minimize bill impacts as noted through customer engagement exercise • Quick and easy answers to frequently asked questions will improve customer satisfaction
<p><i>Leverage Technology to Enable Smart Grid</i></p> <ul style="list-style-type: none"> • Accelerate automated recloser program by installing minimum 6 to 8 per year <ul style="list-style-type: none"> ◦ Measured approach to not significantly impact budget and customer rates • Expand communication infrastructure (wired and wireless) to interconnect field devices with SCADA • Install line sensors to monitor feeder performance 	<ul style="list-style-type: none"> • Improve system reliability • Reduce travel time and improve response times • System will recognize an issue 'before' customer has time to contact KWHI about an issue <ul style="list-style-type: none"> ◦ KWHI can push out and post notifications of issues and predicated restoration times • Quick isolation and restoration of outages

5.3 Productivity and Efficiencies

KWHI supports a culture of continuous improvement focussed around productivity improvements, efficiency gains and identifying opportunities to contain or offset costs. Below are the key productivity and efficiency initiatives for the 2019 – 2021 period, which include continuing our relationship within the GridSmartCity Cooperative, implementing a Vehicle Locating System and providing front-line supervisors with real-time monitoring of job costs.

PRODUCTIVITY AND EFFICIENCIES	BENEFIT TO CUSTOMERS
<p>GSC Cooperative</p> <ul style="list-style-type: none"> Formalized structure – 14 LDC members share resources and seek synergies through cooperative buying power and other initiatives (see Section 4.2) <p>Automated Vehicle Locator System (2021)</p> <ul style="list-style-type: none"> Mobile workforce management system tied to Customer Information System (CIS) and Geographic Information Systems ('GIS') Track vehicle movements, rapid identification of safety concerns, and decreased productivity <p>Dashboard for Crew Supervisors</p> <ul style="list-style-type: none"> Real time monitoring of Actual versus Budget progress for construction projects Labour, material and total costing against estimates/budgets Accountability for billable and non-billable work 	<ul style="list-style-type: none"> Realized cost savings supports ability to maintain lower rates to customers Improve service to customers by sharing of expertise and knowledge Shared Services of operational functions such as control room operations decrease costs, improve efficiencies and improves customer interactions Ability to more rapidly deploy vehicles closest to network issues, improving customer response time Increased productivity and customer interactions Reduction in costs and increased productivity as a result of utilizing real-time monitoring of cost to date for project Ability to more accurately estimate costs when planning projects

5.4 Assets and Infrastructure

KWHI, at its core, is an asset management organization. We acquire, inspect, maintain, replace and dispose of assets as part of our day to day operation in delivering electricity to our customers. Therefore, asset management should play a key role. Successful asset management includes consistently making sound decisions and prioritizing investments to achieve an optimum level of expenditure. To make this a reality and be part of how we do business, KWHI needs to invest in an Asset Management System that incorporates the condition of assets and customer preferences while focusing on reliability improvements and modernizing the grid through distribution automation activities.

The following key initiatives will advance KWHI's efforts in sustaining its assets and infrastructure.

ASSETS AND INFRASTRUCTURE	BENEFIT TO CUSTOMERS
<p>Asset Management System</p> <ul style="list-style-type: none"> • Implement risk-based asset management system • Update asset management strategy • Undertake asset condition assessment • Use data collected from inspections plus other factors (age and operation) to determine the condition of each asset and remaining useful life • Prioritize and pace investment based on condition and not just age <p>Customer Engagement Program Implementation</p> <ul style="list-style-type: none"> • Develop multi-year program to align customers preferences, priorities and needs into KWHI's operational practices, programs and throughout all lines of business 	<ul style="list-style-type: none"> • Maintain high level of reliability and public safety (reduce likelihood of catastrophic failure of assets) • Extend equipment life and prioritize investments • Accelerate the pace of pole replacements to prevent deterioration – potential failure – and to address preferences as noted through customer engagement exercise <ul style="list-style-type: none"> • Third party assistance to obtain direct customer feedback on: <ul style="list-style-type: none"> ○ Better understanding of customer needs and preferences ○ How to best inform future distribution development planning ○ How to demonstrate value for money ○ Better understand customer needs, preferences and expectations
<p>Reliability Improvements</p> <ul style="list-style-type: none"> • Mobile Workforce Management System (2021 tied to CIS Implementation) • Program to reduce submersible transformer failures (2019-2021) • 8Kv Conversion in Wilmot-Township to decommission 2 distribution stations (2019-2023) • System renewal – replacement of wooden pole lines due to Age of Asset and Condition Assessment • Expand Distribution automation-install automated switching devices (reclosers) during line rebuilds 	<ul style="list-style-type: none"> • Pull up GIS live in the field, eliminate back and forth with control room – improves isolation of issues and restoration times • Improve transformer reliability by reducing potential failures • Conversion to 28Kv will allow greater integration of DERs, reduce system losses, improve voltage profile and facilitate future load growth • Pole replacement offsets risk of failure and outages to customers • Remote operation of switching devices will reduce outage duration and improve response time

5.5 Protecting the Business

Grid modernisation includes technological improvements to aid in situational awareness, responding to outages and cyber attacks, and defending the grid/protecting the business. Chief among the activities that KWHI will be undertaking to Protect the Business is implementing the control objectives of the Ontario Cyber Security Framework which aims to bolster our cyber security posture and reduce the impact of cyber threats and vulnerabilities. In the event that an information security incident occurs and escalates to a disaster, KWHI will draw on its disaster Recovery and Business Continuity Plans to respond, contain, and recover from the disaster. From a financial perspective, KWHI will develop a robust cost of service application to recover the revenue requirements needed to continue operating the business in a safe, reliable, and efficient manner, including the ability to expand the distribution system and connect new customers.

The following key initiatives form part of KWHI's efforts to ensure it remains financially viable and protects the business from physical and cyber events.

PROTECTING THE BUSINESS	BENEFIT TO CUSTOMERS
Cyber Security (OEB Framework)	
<ul style="list-style-type: none"> Implement Cyber Security monitoring (2018-continuous) <ul style="list-style-type: none"> 2018 research solution 2018-2019 implementation 2018-2019 education and training 2019 onwards – continued enhancements to cyber security 	<ul style="list-style-type: none"> Mitigate major potential risk to distribution system network, IT network and customer information KWHI member of Utilities Standards Forum – LDC consortium looking at joint evaluation of vendors, reducing implementation cost for each LDC (volume price agreement) and reducing collective risks
COS Application	
<ul style="list-style-type: none"> Develop robust and quantitative filing aligned to OEB Handbook, customer engagement – taking a balanced and paced approach to: <ul style="list-style-type: none"> Maintain infrastructure levels Meet customers priorities Achieve deemed ROE Sufficiently mitigate potential risks Keep customer rates at reasonable levels Leverage emerging technologies Position KWHI to better respond to future challenges and opportunities 	<ul style="list-style-type: none"> KWHI takes a balanced approach when considering; <ul style="list-style-type: none"> The need to efficiently maintain its distribution system and transformer stations Delivering on its customer preferences and priorities Managing its risks in delivering the Business Plan Progressing programs to increase productivity, find efficiencies and contain rising costs
IT Disaster Recovery Plan	
<ul style="list-style-type: none"> Develop and implement plan (2019-2020) <ul style="list-style-type: none"> Infrastructure and offsite capability Identify tactics and action plans to operationalize in event of multiple disaster scenarios Aligned with Cyber Security monitoring and response to attack/breach scenarios 	<ul style="list-style-type: none"> Tactical plans will identify actions and strategies to improve restoration time for customers Communication strategy will identify how to most effectively communicate with customers, provide ongoing information and restoration information
Business Continuity Plan	
<ul style="list-style-type: none"> Develop strategies and tactical plans in efforts to maintain critical business needs in event of a disaster <ul style="list-style-type: none"> Cash flow in (pay vendors and employees) Bills out (customer payment expectations and options) Offsite workforce locations (other sites, at home, etc.) Critical position/workforce (how and where) 	<ul style="list-style-type: none"> A solid Plan will provide information to customers so they are informed in the event of a disaster that impact KWHI's offices or attacks its cyber network <ul style="list-style-type: none"> Continuous updates on back to normal Obligations to continue to pay bills as received (where and how options) Potential decrease in response times dependent on risk

6.0 Risks and Mitigation

6.1 Enterprise Risk Management ('ERM') Program

In 2016, KWHI undertook a comprehensive review working with a third-party expert to identify, categorize and prioritize its organizational risks. The organization developed a Risk Register that identified the area of risk, its criticality, mitigation actions and assigned accountability to deliver on the actions.

Following the ISO31000 guidelines on ERM the senior team developed a Risk Dashboard and Heat Map and monitors continued progress in the elimination or mitigation of each identified critical risk. (see Appendix 9.3)

High-level critical areas of risk were identified as follows:

<i>Regulatory/OEB</i> Business activities could be impeded by non-compliance with OEB regulations, changes in the regulated environment, or result in penalties	<i>Information Technology</i> IT infrastructure, systems and applications are inadequate in meeting business needs and responding to cyber threats
<i>Information Management</i> Lack of data and information, or poor quality data impedes management's ability to make effective and timely business decisions	<i>Employee Health and Safety</i> Exposure to serious or fatal injuries
<i>Change Readiness</i> Traditional LDC culture and mindset does not support pursuit of strategic objectives and/or it is unable to manage or accept required change	<i>Business Interruption</i> Inability to maintain continuing and sustainable business operations or effectively and quickly recover from business interruption
<i>Enabling Technologies</i> IT infrastructure, systems and applications are inadequate in meeting business needs or do not perform as intended or in a reliable manner	<i>Process Efficiency and Effectiveness</i> Lacking adequate, effective business processes to ensure activities are performed to management expectations

The Plan and supporting budget provides for programs and initiatives to mitigate KWHI's risk within its critical risk areas. ***Reduction or elimination of these risks relies substantially on the approval of its COS Application and supporting budget***

6.2 Material Risks to the Business Plan

KWHI have identified the following risks that, should they materialize, could challenge KWHI's ability to realize on its Business Plan and put pressure on earnings over the three-year outlook.

	POTENTIAL RISKS	RISK MITIGATION
<i>Replace Legacy CIS System</i>	<ul style="list-style-type: none"> • System failure (COBOL system – cannot hire programmers, 35yr old antiquated platform) • Impact to business continuity (no cash flow) • No Cash Flow = impacts to employees, vendors, contractors, risk to distribution license agreement • Current system has limited flexibility and is supported by single incumbent • Compliance risk due to limited reporting capabilities 	<ul style="list-style-type: none"> • Implementation of new system <ul style="list-style-type: none"> ○ Business Case developed ○ Recommendation approved by Board ○ Scheduled in-service date December 2020 • Outsource bill preparation to 3rd party • Contract with retired employees to maintain existing system until new system is in service
<i>Cyber Security and Business Continuity</i>	<ul style="list-style-type: none"> • Data breach would risk the privacy of customer information • Risk to reputation • Interruption of business processes and practices 	<ul style="list-style-type: none"> • Implement Cyber Security Plan and multi-year actions aligned with OEB Framework • Disaster Recovery ('DR') <ul style="list-style-type: none"> ○ 2 DR sites set up ○ Both have data back-up capability • Develop crisis management and communications strategies
<i>Customer Credit Risk and Local Economy</i>	<ul style="list-style-type: none"> • Weakening of local economy • Interest rates increase (mortgages, debt increases) • Limited by credit and collection policies • Responsible for full bill, not just distribution portion • Inability to disconnect during winter months 	<ul style="list-style-type: none"> • Robust system of in-house collection <ul style="list-style-type: none"> ○ Write-off \$'s remains reasonably flat due to vigilant internal collection methods • Rely on 3rd party collection agencies when in-house methods do not produce payment

	POTENTIAL RISKS	RISK MITIGATION
Workforce Renewal	<ul style="list-style-type: none"> Demographics <ul style="list-style-type: none"> Good distribution for trades staff Pending retirements for some key senior staff Loss of knowledge and know-how <ul style="list-style-type: none"> Experience leaving the organization Lack of processes to capture tacit and explicit knowledge 	<ul style="list-style-type: none"> Workforce planning strategies <ul style="list-style-type: none"> Advance hiring Relationships w/trades colleges Enhance KWHI's employment brand Promote Wellness initiatives including healthy eating and exercise Formalize succession plans for senior staff and key positions Provide training and mentoring for emerging leaders
Employee & Public Safety	<ul style="list-style-type: none"> High risk business <ul style="list-style-type: none"> Complacency can lead to severe or fatal injuries Loss of reputation can lead to hiring and retention difficulties Public awareness of dangers of electricity 	<ul style="list-style-type: none"> Safety Program <ul style="list-style-type: none"> Select and implement a formal Occupational Health and Safety program Progressive approach to public safety <ul style="list-style-type: none"> Educational tools, School safety program Public Service Announcements ('PSA') Radio Ads, Twitter, YouTube Facilitate electrical safety training for first responders Contractor Safety Day Contractor Seminars Continue to lead public safety initiatives to develop 60 second educational videos <ul style="list-style-type: none"> 31 of 62 LDCs utilizing KWHI videos
Severe Weather	<ul style="list-style-type: none"> Unseasonably cooler and/or warmer weather can impact load projections and reduce revenues Reputational risk tied to impacted response and recovery times 	<ul style="list-style-type: none"> Z-Factor Application for severe weather impacts (ice storms, tornados) Provide timely updates on outages and restoration times using Outage Management System Implement Callout software to improve after-hours response time

7.0 Financial Plans (Operating and Capital Programs)

7.1 Operating Program

KWHI's Operating, Maintenance & Administrative ('OM&A') cost per customer is forecasted to increase from 2019 to 2021 by \$3.71 or 1.7%. During the two-year period 2019 and 2020, KWHI will be investing significant capital dollars in a new CIS. As KWHI currently has an in-house CIS with minimal operating costs, all new expenses associated with the new CIS will be fully incremental to its existing operating costs.

In addition, KWHI must pay union negotiated wage increases, which are higher than the OEB's IRM inflation less stretch factors. The Collective Agreements are competitive within KWHI's labour market but increased labour costs are a driver of KWHI's OM&A.

KWHI notes that its total spend changes little between the years 2019 and 2021. KWHI has used a "total spend" approach for many years, moving dollars spent between capital and operating as required, always cognizant that the same pool of limited resources must be used to accomplish the needed programs.

7.2 Capital Programs

The asset management and capital investment process identify System Access, System Renewal, System Service and General Plant requirements. These requirements result in a list of mandatory and added value investments to be executed over the investment period. Mandatory capital investment needs are documented, costed and scheduled according to timeline needs. Additional optional investments that provide benefits to the system are documented, costed and prioritized according to risk of deferral and the benefit each investment has towards achieving corporate asset management objectives, regardless of which investment category they reside in.

The final investment portfolio considers the balance between achieving KWHI's Asset Management objectives and impact on customer rates.

KWHI's capital budgets for the period 2019 – 2021 focus on the completion of its CIS, accelerated pole replacements and reinforcement of the power supply to downtown Kitchener. Acceptance of these required investments was received through customer engagement activities prior to KWHI's Cost of Service application filed in 2019.

Investment Activity (\$'000's)	2019	2020	2021	3 Yr Total 2019-2021
System Renewal				
Transformer Stations Upgrades/Renewal	\$ 1,625	\$ 2,004	\$ 2,900	\$ 6,529
Replacement of Pole Line Assets Due to Age/Condition	2,938	3,404	3,600	\$ 9,942
Replacement of Cables and Conduits Due to Age/Condition	800	850	900	\$ 2,550
Voltage Conversion	1,400	1,375	1,400	\$ 4,175
Rebuild Transformer Vaults / Roof	240	240	300	\$ 780
Distribution Transformer Replacements	1,350	1,350	1,400	\$ 4,100
Network Transformer Replacements	192	192	200	\$ 584
Total System Renewal	8,545	9,415	10,700	28,660
System Access				
Relocations Due to Roadway Modification Projects	1,550	1,700	1,700	\$ 4,950
Residential Underground Distribution	3,708	3,708	3,900	\$ 11,316
Large Commercial, Industrial & Apartment Services	1,084	1,209	1,200	\$ 3,493
Miscellaneous Underground Services - New and Upgrades	450	450	500	\$ 1,400
Revenue Meters	640	597	600	\$ 1,837
Total System Access	7,432	7,664	7,900	22,996
System Service				
System Expansion to Supply New Development	1,300	2,400	2,400	\$ 6,100
Innovation and Reliability	800	800	800	\$ 2,400
Total System Service	2,100	3,200	3,200	8,500
General Plant				
Land and Building Upgrades/Renewal	750	750	800	\$ 2,300
Office Equipment	70	70	100	\$ 240
Information Systems & Technology	5,190	2,335	1,300	\$ 8,825
Vehicles	975	1,000	1,000	\$ 2,975
Tools & Equipment	140	140	100	\$ 380
Total General Plant	7,125	4,295	3,300	14,720
Total ('000)	\$ 25,202	\$ 24,574	\$ 25,100	\$ 74,876

7.3 Pro-forma Statements

The following principles and assumptions have been used to prepare the Pro-Forma Financial Statements.

- Inflation at 2.0% beyond 2020
- Regulatory assets/liabilities not estimated beyond known items
- CDM not continued into 2020
- CIS begins 2019 and is in service by December 2020
- Increased operating and maintenance costs are planned following a period of reduced O&M due to capital LRT construction.
- Use of total spend balanced throughout the three-year planning cycle.

KITCHENER-WILMOT HYDRO INC
Pro-Forma Statement of Financial Position

(\$000's)	2019	2020	2021
Assets			
Current assets	56,145	52,060	51,643
Non-current assets	263,456	275,818	288,889
Regulatory assets	856	2,377	4,377
Total assets	320,457	330,255	344,908
Liabilities and Equity			
Current liabilities	33,756	34,248	35,377
Non-current liabilities	126,496	131,081	137,586
Total liabilities	160,252	165,328	172,963
Total Liabilities and equity	156,765	164,487	171,506
Regulatory liabilities	3,440	440	440
Total equity, liabilities and shareholder's equity	320,457	330,255	344,908

KITCHENER-WILMOT HYDRO INC
Pro-Forma Statement of Operations

(\$000's)	2019	2020	2021
Revenue			
Distribution Revenue	42,510	45,527	46,324
Other Revenue	2,587	2,891	2,905
Conservation & Demand Management	2,071	-	-
	47,167	48,418	49,229
Expense			
OM&A	21,367	21,878	22,316
Conservation & Demand Management	2,057	-	-
Amortization	9,380	10,298	10,745
Interest & Property taxes	4,518	3,864	3,873
	37,321	36,039	36,933
Income Before Income Taxes	9,846	12,379	12,297
Corporate Income Taxes	1,058	1,142	783
Net Income	8,788	11,237	11,514

KITCHENER-WILMOT HYDRO INC
Pro-Forma Statement of Cash Flows

	2019	2020	2021
Net cash from operating activities	17,431	19,318	22,016
Cash flows from investing activities:	(25,201)	(24,574)	(25,100)
Cash flows from financing activities:	(2,662)	(319)	(874)
Change in cash and cash equivalents	(10,432)	(5,576)	(3,958)
Cash and cash equivalents, beginning of year	21,488	11,055	5,480
Cash and cash equivalents, end of year	11,055	5,480	1,522

7.4 Long-Term Forecasts

KWHI's approach to balance total spend from year-to-year requires a long-term view of its operating and capital expenditures.

A Pro-forma Statement of Operations and Forecast of Operating & Capital Expenditures for the period 2019 to 2024 is shown below.

Additional details for Capital Expenditures by Asset Class and for KWHI's eight (8) Transformer Stations can be found in Appendix 9.4.

Kitchener-Wilmot Hydro Inc. Long-Term Forecast

	2019	2020	2021	2022	2023	2024
Revenue						
Distribution	42,510	45,527	46,324	47,112	47,913	48,727
Miscellaneous Revenue	2,587	2,891	2,905	2,920	2,935	2,949
CDM	2,071	-	-	-	-	-
Total Revenue	47,167	48,418	49,229	50,032	50,847	51,676
Expense						
Operating & Maintenance	12,792	12,569	12,820	13,077	13,338	13,605
Administration	9,006	9,746	9,941	10,140	10,343	10,550
CDM	2,057	-	-	-	-	-
Amortization	9,380	10,298	10,745	11,202	11,670	12,148
Financing Costs	4,088	3,427	3,427	3,494	3,619	3,759
Income Taxes (PILs)	1,058	1,142	783	1,295	1,319	1,289
Total Expense	38,379	37,181	37,716	39,208	40,290	41,351
Net Income	\$ 8,788	\$ 11,237	\$ 11,514	\$ 10,823	\$ 10,557	\$ 10,325

Kitchener-Wilmot Hydro Inc. Long-Term Forecast

	2019	2020	2021	2022	2023	2024
Expense						
Controllable Costs	\$ 21,367	\$ 21,878	\$ 22,316	\$ 22,762	\$ 23,218	\$ 23,682
Non-Utility Costs	2,057	-	-	-	-	-
Uncontrollable Costs	14,956	15,303	15,400	16,446	17,073	17,669
Total Operating Expense	38,379	37,181	37,716	39,208	40,290	41,351
Capital Expenditures						
General Plant & Distribution System	20,501	21,574	24,100	24,899	23,258	23,864
<i>Special Projects</i>						
Customer Information System	4,700	2,000	-	-	-	-
Downtown Supply Reinforcement		1,000	1,000	520		
5 TS Transformer Replacement				416	3,184	3,247
Total Capital Expenditures	25,201	24,574	25,100	25,835	26,442	27,112
Total Operating & Capital Expenditures	\$ 63,580	\$ 61,755	\$ 62,816	\$ 65,043	\$ 66,732	\$ 68,463

8.0 Conclusions

The Plan sets forth programs and initiatives tied to objectives that will position KWHI to: effectively respond to an evolving business model; introduce enabling technologies; and, find the balance between prudence, affordability and its ability to meet customer needs and preferences.

The exercise of engaging customers directly, through focus groups and other means has enriched KWHI's directional planning and provided more concise areas of focus, such as improving its role as a business partner amongst its larger commercial customers. It was recognized by KWHI's third party consultant undertaking the customer engagement exercise, that "overall, there does not appear to be a gap between the services that KWHI is currently providing and the services that customers expect."

Furthermore, it is encouraging to note that KWHI's customers "strongly support the acceleration and the speed in which poles and power transformers are replaced, as well as the installation of more automated switches and software." It was interesting and informative that although the majority of low-volume customers understand the need to replace an aging CIS system, they were less interested in additional service offerings that a new CIS system would provide.

KWHI has taken its customers needs, priorities and preferences into strong consideration in developing its three-year Business Plan. The organization has a solid understanding of its current and future challenges relative to technology, resources and a changing energy sector/environment.

The Plan strives to position the organization and its operating/capital expenditures as prudent, yet cognizant that changes are required to maintain the level of reliability and responsiveness customers deem a priority. The Plan allows KWHI to continue as a financially viable business, that continually considers customer value against costs.

9.0 Appendices

9.1 KWHI's Business Priorities at a Glance

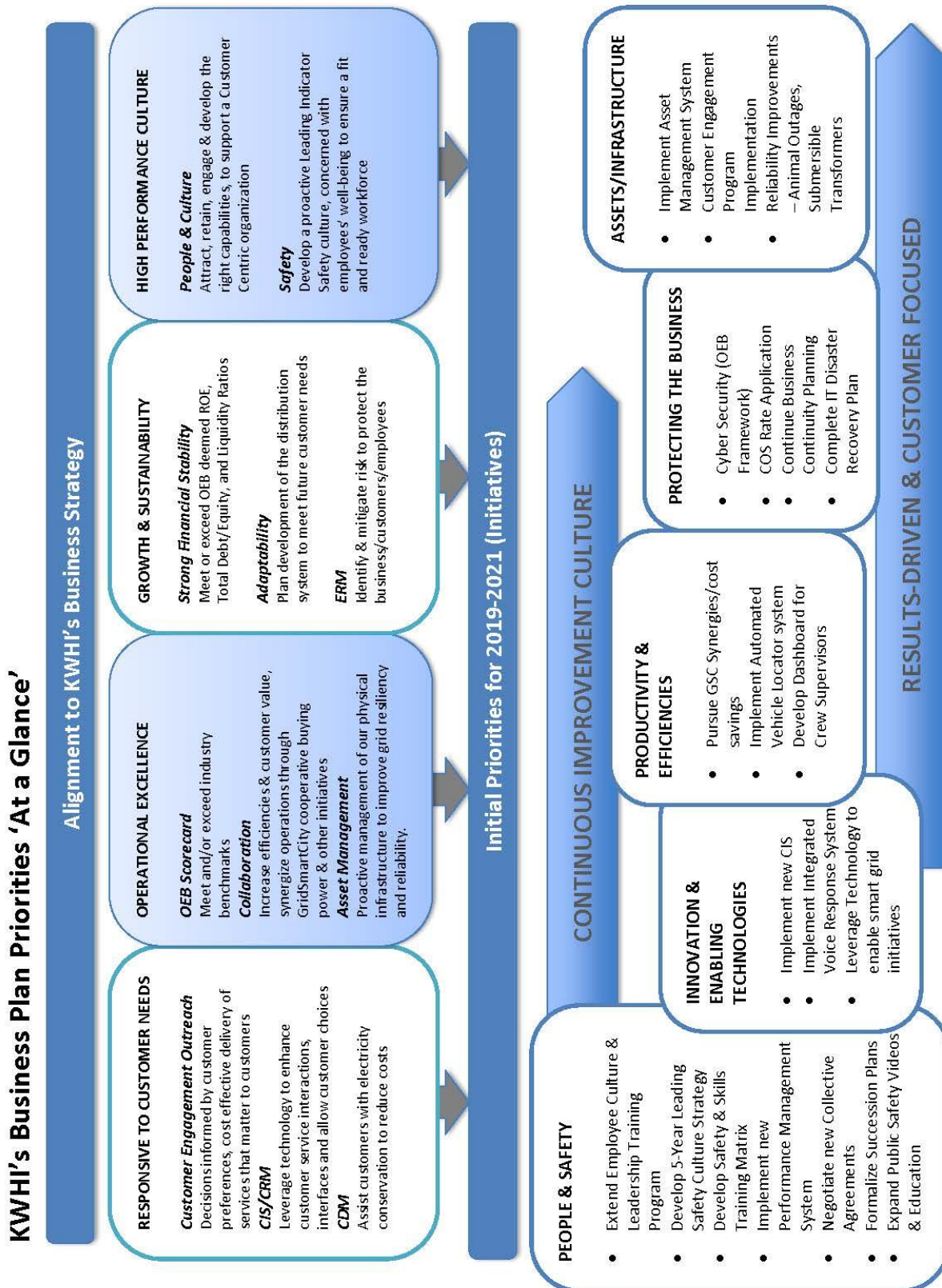
9.2 Kitchener Wilmot's 2019 Annual Business Objectives

9.3 ERM Assessment (2016)

9.4 Long-Term Capital Expenditures Forecast (2016)

9.5 Stations Major Equipment 10-year plan 2019-2028

9.1 KWHI's Business Priorities at a Glance



9.2 Kitchener Wilmot's 2019 Annual Business Objectives

KITCHENER WILMOT'S 2019 ANNUAL BUSINESS OBJECTIVES

"The four Perspectives align to a Balanced Scorecard approach. This approach provides KW with a management tool that puts 'Strategy into Action' and allows the organization to track and measure key business objectives. The four Perspectives provide a 'balance' between critical areas KW needs to focus on to be successful"

"Sustained Profitability & Growth"

LDC Sustainability

1. Submit 2020 Cost Of Service Rate Application by due date and defend at the OEB
2. Efficiency Assessment - Maintain category 2 ranking for better than average LDC efficiency performance
3. Cost Containment & Control - OM&A cost per customer amongst the lowest 10% in the province
4. Continue to pursue efficiency opportunities by participating in joint services and procurement opportunities with local & GridSmartCity LDC's

Revenue Growth

1. Work with Grand River Energy to pursue growth opportunities through GRE renewable energy projects and suite metering services.

Enterprise Risk Management

1. Substantially complete IT Disaster Recovery Plan
2. Continue with Implementation of OEB cybersecurity framework (Year 2 of 3 year program)

Stakeholder-Focused

1. Update KW Hydro's Business Plan with feedback from customer engagement survey for Cost of Service rate application.
2. Participate with local LDC's, Gas companies and Municipalities to advance the Community Energy Investment Strategy for Waterloo Region.

Enhance the Customer Experience

1. Select, finalize contract and commence system configuration of new Customer Information System. Testing to be completed in 2020.
2. Meet or exceed all OEB minimum service requirements with particular focus on improving reliability and locate performance

"Responsive to Customers & the Community"

"Operational Effectiveness & Reliability"

Improve Operational Performance

1. Develop and roll out Crew Call Out software application to improve restoration response
2. Continue focus on improving reliability by installing animal-proofing on overhead lines and drains to existing submersible transformer vaults.
3. Consult with appropriate parties to review design standards for transformers in new subdivisions

Efficient Distribution System

1. Expand use of remote field devices to improve system reliability by reducing restoration times.
2. Complete 5-year Distribution System and Asset Management Plan

Information Systems Upgrades/Enhancements

1. Replace in-house custom HRIS/Payroll system with new commercial application
2. Provide dashboard for Crew Supervisors to assist with project management
3. Implement critical tool maintenance scheduling program
4. JD Edwards ERP system upgrade

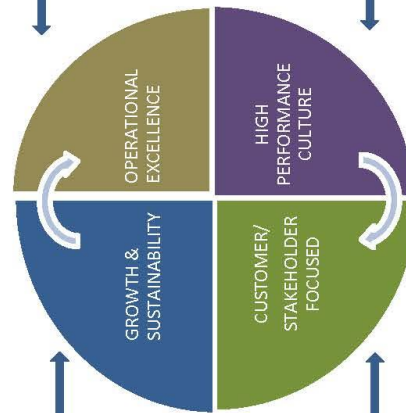
Proactive Safety Culture

1. Implement Quality Management system for updated Job Planning program for distribution projects
2. Do gap analysis between existing in-house safety program and selected OH&S management system
3. Provide "Guarding Minds At Work" mental health training for staff

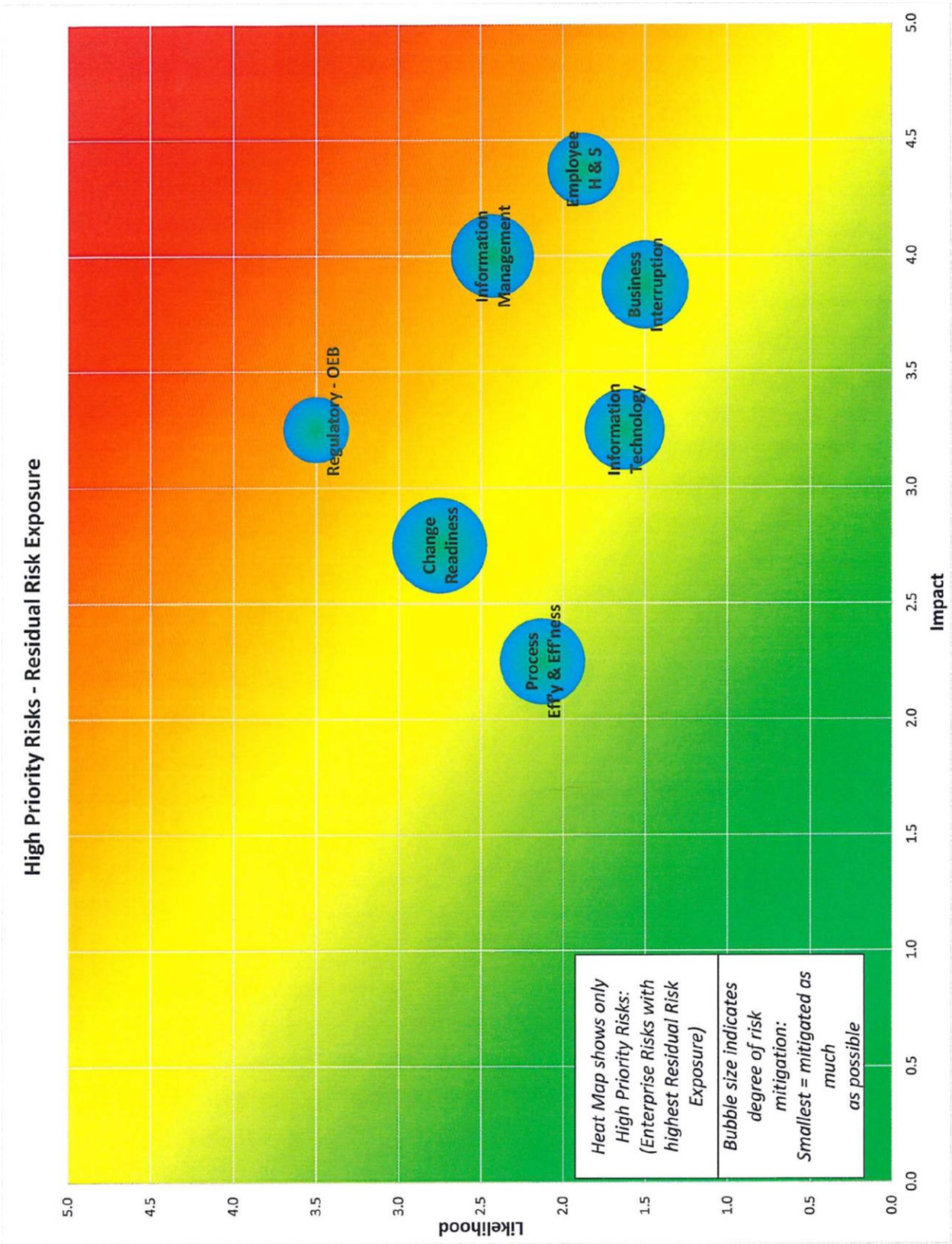
Strengthen Employee Culture

1. Prepare formal corporate succession plan for senior/key staff
2. Prepare Plan and Prioritize Actions as a follow-up to 2018 employee culture survey
3. Promote our corporate values, vision and mission
4. Provide frontline supervisors with newly developed Mohawk College leadership training program with GridSmartCity partners

"The Right People with the Right Tools"



9.3 Enterprise Risk Management Assessment (2016)



KWHI Risk Dashboard and Heatmap

Includes only those marked H in the Risk Register. Ranked by decreasing level of Residual Risk Exposure.

Changes to H Risks included will be manually entered to this spreadsheet by administrator.

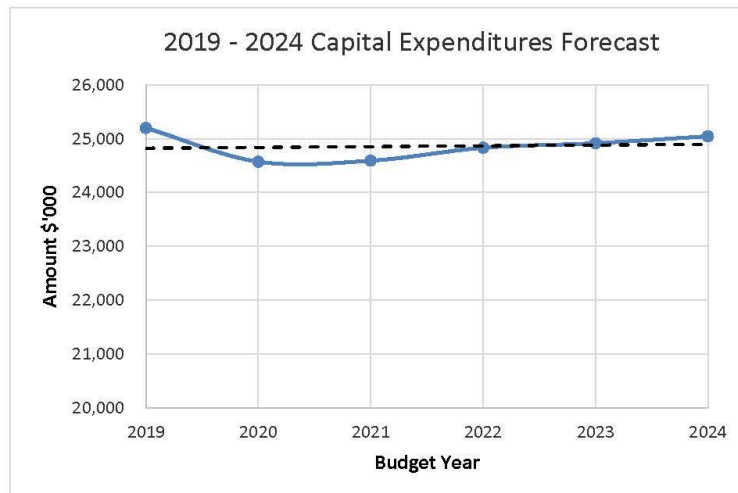
Executives will write summaries of Current Components and Risk Treatments to be reported to Board of Directors

Risk Area & Ref No.	High Priority Enterprise Risk	Accountable	Risk Definition	Impact (I)	Likelihood (L)	Residual Risk Exposure (I x L)	Prev Qtr Residual Risk Exposure	Trend (Decr, Flat, or Incr)	Risk Mitigation Effectiveness (M)
Ext-6	Regulatory - OEB	VP Finance & CFO	Business activities are impeded by non-compliance with OEB regulations, or changes in the regulatory environment, or penalties are suffered.	3.3	3.5	11.4	11.4	Flat	3.8
Opl-7	Information Management	Mgr Information Technology	Lack of data and information or poor quality data and information impedes management's ability to make effective business decisions.	4.0	2.4	9.7	9.7	Flat	3.0
Hum-1	Employee Health & Safety	Mgr Health, Safety & Wellness	Exposure of LDC's employees to serious or fatal injuries as a result of the work environment in which they operate.	4.4	1.9	8.2	8.2	Flat	3.5
Hum-4	Change Readiness	President & CEO	LDC's culture does not support the LDC's pursuit of its strategies and objectives or it is unable to manage required changes.	2.8	2.8	7.6	7.6	Flat	2.4
Opl-4	Business Interruption	VP Operations	LDC is unable to maintain continuing and sustainable business operations, or recover from business interruption, in an effective manner.	3.9	1.5	5.8	5.8	Flat	2.8
Opl-6	Information Technology	Mgr Information Technology	IT infrastructure, systems and applications are inadequate in meeting business needs or that they do not perform as intended or otherwise perform in a reliable manner.	3.3	1.6	5.3	5.3	Flat	3.1
Opl-5	Process Efficiency and Effectiveness	VP Operations	LDC does not have adequate, efficient and effective business processes in place to ensure they are performed according to management expectations.	2.3	2.1	4.8	4.8	Flat	2.9

9.4 Long Term Capital Expenditures Forecast

2019 - 2024 CAPITAL EXPENDITURES FORECAST

ESTIMATED EXPENDITURES (x \$1000) (in 2018 dollars and using 2018 burdens - no inflation)						
DESCRIPTION	2019	2020	2021	2022	2023	2024
BUILDINGS AND LAND	750	750	750	750	750	750
TRANSFORMATION FACILITIES	1,625	2,004	2,800	2,800	3,500	3,500
POLE LINES	6,188	6,629	6,750	6,700	6,700	6,700
UNDERGROUND DUCTS AND CABLES	6,500	7,925	8,000	7,950	7,400	7,550
DISTRIBUTION TRANSFORMERS	3,124	3,124	3,170	3,220	3,220	3,220
REVENUE METERS	640	597	597	597	597	597
OFFICE EQUIPMENT	70	70	70	70	70	70
INFORMATION TECHNOLOGY	5,190	2,335	1,315	1,605	1,540	1,520
VEHICLES	975	1,000	1,000	1,000	1,000	1,000
TOOLS & EQUIPMENT	140	140	140	140	140	140
GRAND TOTAL	25,201	24,574	24,592	24,832	24,917	25,047



Notes

1. Amounts rounded to nearest \$'000

9.5 Stations Major Equipment 10-year plan 2019-2028

Transformation Facilities' Major Equipment 10 Year Plan 2019-2028												
ID	Task Name	Est Cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	#5TS - Install Arc Resistance on Switchgear & Replace 3 SF6	\$1.4M										
2	#3TS - No.1 Bus P&C Replacement	\$0.3M										
3	Engineering											
4	Rewire & Test P&C Panels											
5	#6TS - P&C Replacement	\$1.2M										
6	Engineering											
7	Rewire & Test P&C Panels											
8	#4TS - HV Equipment Replacement	\$1.3M										
9	Engineering											
10	Install Circuit Switchers & founda											
11	Install Acoustic Enclosures											
12	#3TS - Install Switchgear Arc Resistance and Replace 14 SF6 Breakers at 3TS & 6TS	\$1.2M										
13	#6TS - Install Switchgear Arc Resistance	\$1.2M										
14	#7TS - P&C Replacement	\$1.2M										
15	Engineering											
16	Rewire & Test P&C Panels											
17	#1TS - P&C Replacement	\$1.2M										
18	Engineering											
19	Rewire & Test P&C Panels											
20	#7TS - Replace 13 SF6 Breakers	\$0.7M										
21	#5TS - Replace Power Transformers & Oil Retention Pits	\$6.4M										
22	Engineering											
23	Manufacture Transformers											
24	Install P&C Changes											
25	Install Oil Retention Pits											
26	Install Transformers											
27	#3TS - P&C Replacement	\$2.0M										
28	Engineering											
29	Rewire & Test P&C Panels											
30	#8TS - P&C Replacement	\$1.2M										
31	Engineering											
32	Rewire & Test P&C Panels											
33	#4TS - P&C Replacement	\$1.6M										
34	Engineering											
35	Rewire & Test P&C Panels											
36	TOTALS FOR MAJOR EQUIPMENT	\$21.0M	1.3	1.8	2.6	2.7	3.2	3.3	3.0	1.3	1.2	0.6
37	Miscellaneous Small Projects	\$2.5M	0.3	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.4
38												
39	TOTALS	\$23.5M	1.6	2.0	2.8	2.8	3.4	3.5	3.3	1.6	1.5	1.0



Sponsorship Proposal 2019/2020



A quiet night at home, or...



2019/2020 Jeans n' Classics (Electric Tonight) & Classic Albums Live

To:

**Jerry Van Ooteghem, President & CEO
Kitchener Wilmot Hydro
301 Victoria St. S.
Kitchener, Ontario
519-745-4771**

From:

**Dwayne Bryshun, Director of Business Relations
Centre In The Square
101 Queen St. N
Kitchener, Ontario
519-578-5660 x 5251**

Date submitted: May 30, 2019



Sponsorship Proposal 2019/2020

Jeans n' Classics are Electric Tonight!

Rock & Roll doesn't know what day it is? That is why we booking the best shows, regardless of what day of the week they fall on.

This year, they are on Tuesday, Wednesday and Thursday.

After all, it is about the music and not the calendar!



*Possibly an exaggeration, but it has been a while.

We were all young once, and we thought we knew everything about life and music (at least we were right about the music). Now that we are older and our discerning tastes allow us to appreciate the same exact music, but blanketed with a beautiful symphony orchestra. This is the warmest and welcoming music session in town. A **Jeans n' Classics** concert feels like room full of regulars with a pile of new-comers clamoring at the door, itching to get in. Within minutes, everyone seems like old friends.

This is exactly how it feels like coming to work at Centre In The Square every day, and it is also how it feels to talk to anyone that works at **Kitchener Wilmot Hydro**, friendly and family-like. That is why we value our partnership through this series, because it makes Kitchener-Waterloo a more connected place. The **KWH** sponsorship helps us keep a long running series of shows on our calendar every year, and it helps people share the music they love. It is the same feeling when your older sibling invited you into their room to hear their new record. That sharing never gets old.

Last season the **Jeans n' Classics** series had a bit of everything. They played music influenced by Punk, Pop, Rock, Lounge, Jazz, R&B, and even Science Fiction. We are looking forward to another season of reminding people about music that they already love.

Jeans n' Classics (Electric Tonight) is taking over Centre In The Square for three more nights in our upcoming 2019/20 season. Most **Jeans n' Classics(E.T.)** fans had decided to attend before we even told them what the shows would be. Others will jump on board the moment we tell them the specifics of our exciting new season. We believe there is no better affiliation for **Kitchener Wilmot Hydro** than the **Jeans n' Classics** series as it continues to have strong turnouts of approx. 1200 people, all of which show up with a grin, and leave with a full smile. **Kitchener Wilmot Hydro's** partnership with CITS helps us bring the **Jeans n' Classics Series** to the people of the region who love and deserve it.



Sponsorship Proposal 2019/2020

2019/20 KW Hydro's Jeans n Classics Concerts:

Every Breath You Take, Music of Sting and the Police

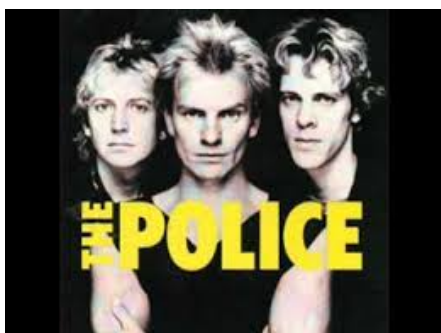
Tues Mar 24 2020 @ 8 PM

Never Break the Chain Music of Fleetwood Mac

Wed Jan 29 2020 @ 8PM

"That's My Jam!" Music From Adelle to Pharrell

Thursday, May 21 2020 @ 8PM



17 Grammy Awards
1 Golden Globe
4 Oscar Nominations
Songwriters Hall of Fame

100+ Million Records Sold

Every Breath You Take
Walkin' On The Moon
Don't Stand So Close To Me
King Of Pain
Spirits In The Material World
De Do Do Do, De Da Da Da
Canary In A Coal Mine
Englishman In New York
Synchronicity
Fortress Around Your Heart
Roxanne
(wow!)

Grammy Award for
Album of the Year 1978

The Music of **Rock and Roll**
Hall of Famers:

Stevie Nicks.
Mick Fleetwood,
Peter Green
Lindsey Buckingham

Go Your Own Way
Dreams
Don't Stop
Landslide
Oh Daddy
Second Hand News
Leather and Lace

From 15 x Grammy Winner
(Adelle)
to 12 x Grammy Winner
(Pharrell)

The "everything inbetween"
includes:

Bruno Mars "Locked out of Heaven"
Outkast "Hey Ya"
Coldplay "Clocks"
Maroon 5 "Sugar"
Justin Timberlake "Can't Stop"
Carrie Underwood "Before He Cheats"
Katy Perry "Roar"
Lorde "Red Light"

The artists represented
have won a combined
87 Grammys!!!



Sponsorship Proposal 2019/2020

We live in a “shuffle” world, and we skip from task to task like we skip from song to song on our iPhones. **Kitchener Wilmot Hydro’s Classic Albums Live** reminds us that “music is life” and it is meant to be savored and enjoyed. **Classic Albums Live** slows the world down for a couple of hours and reminds us to relax and reminisce, and it does it in a beautiful and intimate way.

The **Classic Albums Live** crowd enters our building with a certain sense of ownership. Not all of them have been here before, but they all have thorough knowledge of the music they are going to hear. Most of them will recall beautiful memories of the numerous they have heard the music in the past. **Classic Albums Live** becomes a bit of a time machine for people and they find themselves transported to an earlier time in their lives. It is amazing how powerful this can be. People hear all the songs they loved (along with that one that they didn’t) as an exact replica of the album, in the precise order they were intended. The difference now is that it is live, everyone has more distinguished tastes, and they likely aren’t going to be grounded for getting home to late.

Kitchener-Waterloo is blessed to have **Kitchener Wilmot Hydro’s** assistance in allowing **Classic Albums Live** to bring some of 'the world's best musicians' to the CITS stage and performing great music in a way that is both pure and true. **Classic Albums Live** has defined itself as a mainstay in Performing Arts Centres across North America. “All of our focus is put into the music,” says Martin. “We don’t bother with imitation or impersonation. The bands are big — upwards of eleven pieces. We research these albums and go to great lengths to reproduce each and every sound live. We never use tape or computers. We’ll bring in a children’s choir, a sitar player, a string quartet, whatever it takes to get it right.”

music finds us
we don’t find it
we’re bombarded with music - shell shocked
but there’s that beautiful moment when you find an album
and that album starts to bind to you
and heal you
and help you remember
and then you share that album with people you care about
Craig Martin, Founder of CAL

Classic Albums Live will play 3 amazing shows again during our 2019/20 season and will give **Kitchener Wilmot Hydro** the notoriety it deserves as a contributor to the building of a vibrant community. There is no better audience for **Kitchener Wilmot Hydro** to associate themselves with than a discerning adult population of music lovers that are in the midst of an amazing experience.

We anticipate our **Classic Albums Live** concerts to draw between 1200 and 1300 concert goers per show. The typical attendee lives within 10km of Centre In The Square, is about 45-55 years old, and comes from a fairly diverse background of baby boomers, seniors, University/College students, white collar, and blue collar workers that consider themselves to be “serious” music fans. **Kitchener Wilmot Hydro’s Classic Albums Live** genuinely makes people happy and continues to be the fastest series to get renewed by previous subscribers at Centre In The Square.



Sponsorship Proposal 2019/2020



Supertramp (1979) **Breakfast in America**

Wednesday, Oct 23, 2019 @ 8PM

An album so great, that it is believed to have caused
the demise of the band.
That is why we both love it, and hate it!

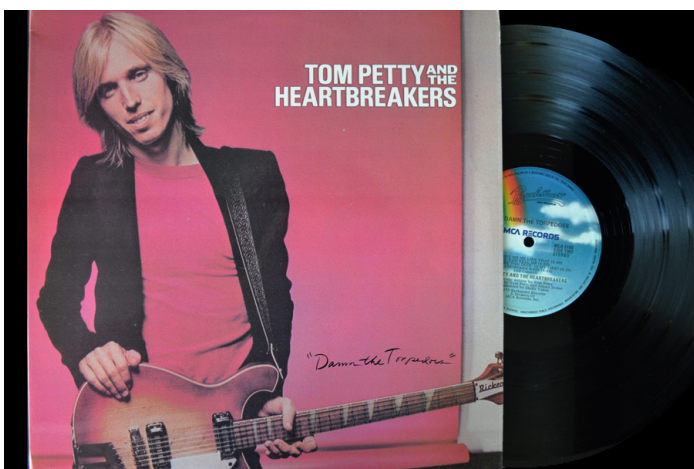


Led Zeppelin (1969) **Led Zeppelin II**

Friday Feb 21, 2019 @ 8 PM

Zeppelin's second album was recorded, 10 minutes
at a time, while on tour around the world.

"A Whole Lotta Love", "Moby Dick", "The Lemon
Song" and "Thank you" should never have come
together as perfectly as they did considering the
haphazard way they were recorded.



Tom Petty (1979) **Damn the Torpedoes**

Thursday, April 23, 2019 @ 8 PM

"The album we've all been waiting for"
Rolling Stone Magazine, 1979

"Don't Do Me Like That"
"Refugee"
"Here Comes My Girl"
"Even The Losers"

We would give you lyric sheets, but nobody would need them!



Sponsorship Proposal 2019/2020



"The centre in the square is a dream venue for touring musicians of all genres of music. The set up, the sound, the lights make for such a great experience no matter if you are on stage or in the audience. I love it" Alan Doyle, 2019

"A thriving Centre In The Square strengthens our Region's unique culture and identity, and acts as a catalyst for the continued revitalization of Kitchener's downtown core. The ongoing success of this world-class cultural institution will help shape our city for years to come." Raj Saini, MP Kitchener Centre, 2019

Our ticket sales were up another 14% last year as our programmers have been thinking outside the box and booking fantastic shows that K-W has loved!
(Carol Burnett, Dancing with the Stars, Kinky Boots, Steve Earl, Masters of Illusion)

Our presence on Social Media keeps growing and growing, which is fantastic because it helps us to pay homage to **Kitchener Wilmot Hydro** and tell the region about the shows that they help us produce (both directly and indirectly).
Our Facebook is up 85%, Instagram is up 105%, Twitter has exploded.

1.2 million people visited our website last year. That is one person every 26.3 seconds.

Kitchener Wilmot Hydro helps us to "pay it forward" by helping us to fulfill our mandate to help smaller art organizations, supporting local talent, and bringing affordable family entertainment to our stage.

KWH's support trickles down to many charities we worked with this season such as "**All in for Brain Research**", "**Shore**", "**YWCA**", "**Waterloo Region Family Network**" and "**Survivors of Sexual Assault**".

We shouldn't have as much fun doing something that we think is so important for our community, but we do, and we are humbled to be able to do it with **Kitchener Wilmot Hydro's** support.



Sponsorship Proposal 2019/2020

PROPOSAL: **Kitchener Wilmot Hydro Jeans n' Classics (E.T.)** **& Classic Albums Live Concerts Sponsorship**

With financial support of **\$30,000** for the **Kitchener Wilmot Hydro Jeans n' Classics (E.T.) & Classic Albums Live Concerts Sponsorship**, Centre In The Square can address the challenges of producing these two series, enabling us to grow both and encourage greater participation and engagement within our community.

Sponsor Benefits and Recognition Overview:

- **Kitchener Wilmot Hydro** will be positioned as Centre In The Square's **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** for 2019/20 season.
- Recognition for **Kitchener Wilmot Hydro** as the Centre In The Square's **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** on all marketing materials promoting the concerts performances for the 2019/20 season.
- Recognition of **Kitchener Wilmot Hydro** as **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** on all other promotional materials including the Centre In The Square's What's On Brochures, Digital House Program ads, Banner stands, Posters, Postcards and Flyers.
- Recognition for **Kitchener Wilmot Hydro** as the **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** in all print advertisements purchased by Centre In The Square promoting the concerts throughout the season. This may include; The Record, Grand Magazine.
- Recognition for **Kitchener Wilmot Hydro** on all tickets printed for the **Jeans n' Classics (E.T.)** concerts. The promotional script is as follows: **Kitchener Wilmot Hydro Jeans n' Classics**
- **Kitchener Wilmot Hydro** will be recognized in all radio advertisements promoting the **Jeans n' Classics (E.T.) & Classic Albums Live** concerts. This may include; Kool FM, Dave FM and CHYM. The promotional script is as follows: **Kitchener Wilmot Hydro Jeans n' Classics** and **Kitchener Wilmot Hydro Classic Albums Live**.
- **Kitchener Wilmot Hydro** will be recognized as the **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** in television advertisements presented on Rogers TV.
- **Kitchener Wilmot Hydro** is entitled to present a 15-30 second pre-show video promoting your internal programs/initiatives; Save On Energy, Peaksaver, Retrofit, etc. (Video(s) will be aired prior to the **Jeans n' Classics (E.T.)** and **Classic Albums Live** concerts).
- **Kitchener Wilmot Hydro** is entitled to a 30 second pre-show video that will be aired prior to all **Jeans n' Classics (E.T.)** and **Classic Albums Live** concerts. **The concept for the video is being jointly developed by John Finch at Kitchener Wilmot Hydro and Centre In The Square's Marketing Department.**



Sponsorship Proposal 2019/2020



- Recognition for **Kitchener Wilmot Hydro** as the **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** on the 'Sponsors Page' within Centre In The Square's website. (www.centreinthesquare.com)
- Recognition for **Kitchener Wilmot Hydro** as the **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** on the individual performance pages within The Centre's website
- Recognition for **Kitchener Wilmot Hydro** as **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** in all issues of CITS monthly E-Newsletter promoting the concerts.
- Recognition for **Kitchener Wilmot Hydro** as **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** in all E-blast advertisements promoting the Series and performances to Centre In The Square's database.
- **Kitchener Wilmot Hydro** is entitled to a full page colour ad in all issues of Centre In The Square's Digital House Program for the 2019/2020 season.
- **Kitchener Wilmot Hydro's** Logo will be prominently displayed on the Title Page for each of the performances in the **Jeans n' Classics (E.T.) Series** within the House Program for the season.
- Recognition as **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** before all Centre In The Square-presented performances for the length of the sponsorship. **Kitchener Wilmot Hydro's** Logo will be displayed within a slideshow presented on screen in the Raffi Armenian theatre.
- **Kitchener Wilmot Hydro** will be recognized as **Jeans n' Classics (E.T.) & Classic Albums Live Sponsor** within a slideshow presented on seven flat panel screens located throughout the Lobbies
- Editorial opportunities via Centre In The Square's Blog or Newsletter. Editorials may feature partnership between **Kitchener Wilmot Hydro** and CITS, **Kitchener Wilmot Hydro** initiatives and programs or other agreed upon content
- **Complimentary Performance Tickets:**
20 Tickets for all the **Jeans n' Classics (E.T.)** concerts
20 Tickets for all **Classic Albums Live** concerts
- **Kitchener Wilmot Hydro** is entitled to promotional display opportunities in the lobby; Informational/Promotional booth or display, flyers or giveaway, banner stand, sign-up to win contest on the evening of each **Jeans n' Classics (E.T.)** and **Classic Albums Live** concerts. This includes displaying a vehicle outside The Centre's main entrance at all of the concerts.
- **Kitchener Wilmot Hydro** is entitled to a complimentary reception – including food & beverages – at each of three **Jeans n' Classics (E.T.)** concerts as well as the three **Classic Albums Live** concerts.
- **Kitchener Wilmot Hydro** employees are entitled to access Centre In The Square's **Corporate Sponsors Employee Ticket Discount Program** which offers tickets to select performances at a discount of 10% off the regular price. (Only 100 tickets are available for each performance)

*Centre In The Square is willing to entertain other promotional opportunities that **Kitchener Wilmot Hydro** may suggest.*



Sponsorship Proposal 2019/2020



As

Centre In The Square's

Jeans n' Classics (E.T.)

&

Classic Albums Live Sponsor

2019/2020 Season

Cost of **Jeans n' Classics (E.T.) and **Classic Albums Live** Sponsorship Opportunity:**

☐ **2019-20 Season @ \$30,000.00**

Payment Terms:

2019/2020 Season - \$30,000.00 to be paid November 1, 2019

Centre In The Square thanks you for your consideration, and would welcome the opportunity to discuss this proposal further and answer any questions you may have about our organization, the ***Jeans n' Classics (E.T.) & Classic Albums Live Sponsorship*** and a collaboration with **Kitchener Wilmot Hydro**.



Sponsorship Proposal 2019/2020

Notes:

1. It is understood that **Kitchener Wilmot Hydro** will have the right of first refusal to renew the **Jeans n' Classics (E.T.)** and **Classic Albums Live** for CITS 2020/21 season, under terms to be negotiated.
2. It is understood that **Kitchener Wilmot Hydro** will be CITS exclusive **Jeans n' Classics (E.T.)** and **Classic Albums Live** for the 2019/20 season.
3. CITS reserves the right to have other, non-competing sponsors for our performances, series or properties. It is understood that CITS will have a number of media sponsorships and non-show sponsorships (e.g. beer, wine, website, e-newsletter, etc.).
4. This agreement will be in place from date of signing until the end of our 2019/20 Season – June 30, 2020.

Signed:

Jerry Van Ooteghem, President & CEO
Kitchener Wilmot Hydro

Dwayne Bryshun, Dir. Business Relations
Centre In The Square

Date

Date

RATES COMPARISON - 700 kWh
RESIDENTIAL RATE CLASSIFICATION - TOU PRICING
MONTHLY BILLING EFFECTIVE MAY 1, 2019

KITCHENER-WILMOT HYDRO INC.	Quantity Unit	Rate	Amount	Amount
ENERGY				
700 kWh				
On-Peak (18%)	126.0000 kWh	\$0.1340	\$16.88	
Mid-Peak (17%)	119.0000 kWh	\$0.0940	\$11.19	
Off-Peak (65%)	455.0000 kWh	\$0.0650	\$29.58	\$57.65
DELIVERY				
Transmission Network Charge	724.5700 kWh	\$0.0059	\$4.27	
Transmission Connection Charge	724.5700 kWh	\$0.0017	\$1.23	
Distribution Charge	700.0000 kWh	-\$0.0020	-\$1.40	
Fixed Delivery Charge	1 Month	\$22.66	\$22.66	
Smart Metering Entity Charge	1 Month	\$0.57	\$0.57	
Line Loss Adjustment (3.51%)			\$2.02	\$29.35
REGULATORY				
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25	
Wholesale Market Charge	724.5700 kWh	\$0.0039	\$2.83	\$3.08
TAXES & REBATES				
HST Charge	\$90.08	13.00%	\$11.71	\$11.71
8 % Provincial Rebate	\$90.08	-8.00%	-\$7.21	-\$7.21
			\$94.58	\$94.58

WATERLOO NORTH HYDRO	Quantity Unit	Rate	Amount	Amount	Difference
ENERGY					
700 kWh					
On-Peak (18%)	126.0000 kWh	\$0.1340	\$16.88		
Mid-Peak (17%)	119.0000 kWh	\$0.0940	\$11.19		
Off-Peak (65%)	455.0000 kWh	\$0.0650	\$29.58	\$57.65	
DELIVERY					
Transmission Network Charge	725.3400 kWh	\$0.0067	\$4.86		
Transmission Connection Charge	725.3400 kWh	\$0.0025	\$1.81		
Distribution Charge	700.0000 kWh	-\$0.0018	-\$1.26		
Fixed Delivery Charge	1 Month	\$31.51	\$28.07		
Smart Metering Entity Charge	1 Month	\$0.57	\$0.57		
Line Loss Adjustment (3.62%)			\$2.09	\$36.14	23.1% Higher
REGULATORY					
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25		
Wholesale Market Charge	725.3400 kWh	\$0.0039	\$2.83	\$3.08	
TAXES & REBATES					
HST Charge	\$96.87	13.00%	\$12.59	\$12.59	
8 % Provincial Rebate	\$96.87	-8.00%	-\$7.75	-\$7.75	
			\$101.71	\$101.71	7.5% Higher

ENERGY + INC.	Quantity Unit	Rate	Amount	Amount	Difference
ENERGY					
700 kWh					
On-Peak (18%)	126.0000 kWh	\$0.1340	\$16.88		
Mid-Peak (17%)	119.0000 kWh	\$0.0940	\$11.19		
Off-Peak (65%)	455.0000 kWh	\$0.0650	\$29.58	\$57.65	
DELIVERY					
Transmission Network Charge	721.4900 kWh	\$0.0057	\$4.11		
Transmission Connection Charge	721.4900 kWh	\$0.0042	\$3.03		
Distribution Charge	700.0000 kWh	-\$0.0009	-\$0.63		
Fixed Delivery Charge	1 Month	\$28.42	\$28.42		

Smart Metering Entity Charge	1 Month	\$0.57	\$0.57		
Line Loss Adjustment (3.07%)			\$1.77	\$37.27	27.0% Higher
REGULATORY					
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25		
Wholesale Market Charge	721.4900 kWh	\$0.0039	\$2.81	\$3.06	
TAXES & REBATES					
HST Charge	\$97.98	13.00%	\$12.74	\$12.74	
8 % Provincial Rebate	\$97.98	-8.00%	-\$7.84	-\$7.84	
			\$102.88	\$102.88	8.8% Higher

FESTIVAL HYDRO	Quantity Unit	Rate	Amount	Amount	Difference
ENERGY					
700 kWh					
On-Peak (18%)	126.0000 kWh	\$0.1340	\$16.88		
Mid-Peak (17%)	119.0000 kWh	\$0.0940	\$11.19		
Off-Peak (65%)	455.0000 kWh	\$0.0650	\$29.58	\$57.65	
DELIVERY					
Transmission Network Charge	720.3700 kWh	\$0.0071	\$5.11		
Transmission Connection Charge	720.3700 kWh	\$0.0046	\$3.31		
Distribution Charge	700.0000 kWh	\$0.0008	\$0.56		
Fixed Delivery Charge	1 Month	\$28.08	\$28.08		
Smart Metering Entity Charge	1 Month	\$0.57	\$0.57		
Line Loss Adjustment (2.91%)			\$1.68	\$39.31	33.9% Higher
REGULATORY					
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25		
Wholesale Market Charge	720.3700 kWh	\$0.0039	\$2.81	\$3.06	
TAXES & REBATES					
HST Charge	\$100.02	13.00%	\$13.00	\$13.00	
8 % Provincial Rebate	\$100.02	-8.00%	-\$8.00	-\$8.00	
			\$105.02	\$105.02	11.0% Higher

GUELPH HYDRO ELECTRIC SYSTEMS INC.	Quantity Unit	Rate	Amount	Amount	Difference
ENERGY					
700 kWh					
On-Peak (18%)	126.0000 kWh	\$0.1340	\$16.88		
Mid-Peak (17%)	119.0000 kWh	\$0.0940	\$11.19		
Off-Peak (65%)	455.0000 kWh	\$0.0650	\$29.58	\$57.65	
DELIVERY					
Transmission Network Charge	718.2000 kWh	\$0.0068	\$4.88		
Transmission Connection Charge	718.2000 kWh	\$0.0062	\$4.45		
Distribution Charge	700.0000 kWh	\$0.0014	\$0.98		
Fixed Delivery Charge	1 Month	\$29.04	\$29.04		
Smart Metering Entity Charge	1 Month	\$0.57	\$0.57		
Line Loss Adjustment (2.6%)			\$1.50	\$41.42	41.1% Higher
REGULATORY					
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25		
Wholesale Market Charge	718.2000 kWh	\$0.0039	\$2.80	\$3.05	
TAXES & REBATES					
HST Charge	\$102.12	13.00%	\$13.28	\$13.28	
8 % Provincial Rebate	\$102.12	-8.00%	-\$8.17	-\$8.17	
			\$107.23	\$107.23	13.4% Higher

**Ministry of Energy,
Northern Development
and Mines**

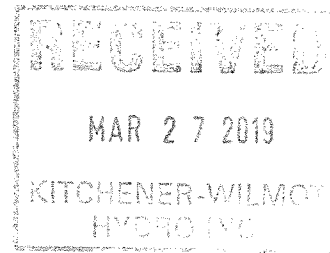
Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758

**Ministère de l'Énergie,
du Développement du Nord
et des Mines**

Bureau du ministre

4^e étage, Édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758



March 21, 2019

Mr. Jerry Van Ooteghem
President and CEO
Kitchener-Wilmot Hydro Inc.
301 Victoria Street South
PO Box 9010
Kitchener ON N2G 4L2

Dear Mr. Van Ooteghem:

I would like to extend my thanks for your continued excellence in the critical role you play in Ontario's electricity system in reliably delivering electricity to consumers. I am writing to you today to inform you of our government's proposed approach to restore confidence in the energy sector and provide electricity bill relief to your customers.

Earlier today, I announced numerous proposed government actions, including legislative amendments, to establish greater transparency and accountability and reduce costs.

Delivering Efficient Electricity Conservation

Our government is taking action to reduce spending and streamline electricity conservation programs in Ontario.

To that end, I have directed the Independent Electricity System Operator (IESO) to discontinue the 2015-2020 Conservation First Framework and establish a scaled down Interim Framework for the balance of 2019 and 2020, delivered centrally by the IESO with continued funding from electricity rates. The Interim Framework will focus programs on commercial, institutional and industrial customers, while also providing support for Ontario's vulnerable populations through programs for low-income consumers and on-reserve First Nations communities.

I recognize that LDCs have an interest in conservation programs for their customers, which is why through the Interim Framework there will be an opportunity for LDCs to apply to the IESO for limited funding to deliver cost-effective conservation programs in their service territories. I would also encourage LDCs to work with the IESO to help promote IESO delivered programs to your customers, where appropriate.

I have also directed the Ontario Energy Board (OEB) and provided it with the authority to amend or revoke conservation related licence conditions for electricity distributors.

These actions will help refocus current conservation and demand management efforts on the most cost-effective programs and delivery models that drive energy efficiency and meet system needs. Transitioning to the Interim Framework is expected to reduce spending by up to \$442 million and is part of the government's overall plan to take costs out of the electricity system.

.../cont'd

In addition to these actions, amendments are being proposed to the *Electricity Act, 1998*, that would enable the IESO to accept government revenues to fund conservation programs and other procurement contracts, should the government decide to do so in the future. The amendments would provide the flexibility to take further costs out of the rate base.

Ontario Energy Board Modernization

As you are aware, our government has made it clear that we are committed to fixing the hydro mess, reducing regulatory burden and restoring confidence in the electricity sector. Part of our plan to achieve these goals involves modernization of the OEB.

Today, legislative amendments have been introduced to the Legislature that, if passed, would amend the governance structure of the OEB. This would allow the OEB to operate more effectively and efficiently and ensure that Ontario's energy system is both sustainable and cost-effective for all Ontarians.

The legislation introduced today was informed by the recommendations of the OEB Modernization Review Panel (Panel), chaired by Mr. Richard Dicerni. The Panel completed its review and submitted the final report in October 2018, which was released publicly last week, and you can find it at <https://files.ontario.ca/endm-oeb-report-en-2018-10-31.pdf>.

If the amendments are passed, the government will support the OEB in a smooth and expeditious transition. I know many of you have active or upcoming applications with the OEB that have significant implications for your businesses. I want to assure you that there will be no immediate changes to regulatory processes, and your interactions with the OEB should continue as planned. It is my expectation of the OEB that, during this interim period, regulatory reporting should continue as normal as well as all scheduled hearings. No refiling of evidence is required and no disruption of service will occur.

Should the proposed amendments pass, they would be proclaimed on a date to be determined by the Lieutenant Governor in Council. Stakeholders will be given advance notice of when the new governance structure would take effect.

It is our intent that, if the amendments move forward, the OEB would adopt new processes and practices as it becomes a more efficient and effective regulator. Stakeholders will be involved in the development of these processes and we commit to keeping you informed of changes taking place in a clear and transparent manner. I trust that you will be supportive of these changes.

Global Adjustment Replacement

Since July 1, 2017, the *Ontario Fair Hydro Plan Act, 2017* (OFHP Act) has provided an electricity bill reduction to eligible electricity customers through lowered prices under the Regulated Price Plan (RPP) and through the Global Adjustment (GA) Modifier for eligible consumers who do not participate in the RPP.

In July 2018, our government launched the Independent Financial Commission of Inquiry to review Ontario's past spending and accounting practices. In August 2018, the Commission recommended that government adopt the Auditor General's proposed accounting treatment for GA Refinancing under the OFHP Act. Our government accepted the Commission's recommendation and committed to replace the current GA Refinancing structure with one that is more transparent.

.../cont'd

To replace the current GA Refinancing structure, our government intends to introduce legislation and bring forward regulations that would, if approved, hold average residential bill increases to the rate of inflation effective May 1, 2019, as an interim measure, before transitioning to a new on-bill rebate effective November 1, 2019. If passed, the new on-bill rebate would combine replacement for electricity bill reductions provided through GA Refinancing and the current 8 per cent Ontario Rebate for Electricity Consumers into a single, transparent on-bill rebate. Moving forward, the government intends to make regulatory amendments to adjust the rebate percentage at the same time as the OEB sets RPP prices in order to moderate future bill increases.

Under the proposed approach, the OEB would set RPP rates effective May 1, 2019, applicable until October 31, 2019, such that the average residential bill would increase at the rate of inflation. The OEB would determine the corresponding GA Modifier. The same eligibility criteria that was used under the OFHP Act would continue to be applicable under the interim mechanism and electricity vendors would be required to continue to report the resulting shortfall in amounts collected from ratepayers until November 2019.

In addition, the requirement to include a statement on invoices specifying OFHP savings would be removed by revoking Ontario Regulation 196/17, effective on the date of filing. We would appreciate the removal of the statement as soon as is possible, and by no later than July 1, 2019.

Effective November 1, 2019, when the new on-bill rebate would be introduced, RPP prices would again be set by the OEB as they were prior to the introduction of the OFHP Act and there would no longer be a GA Modifier. Residential, farm and small business customers would be eligible for the new, single on-bill rebate. All eligible customers would receive the same percentage-based reduction on their electricity bills.

Our government would look to electricity distributors, retailers and unit sub-meter providers to ensure all eligible customers were provided with the new on-bill rebate effective November 1, 2019. The ministry would work closely with electricity vendors to assist with implementation of our government's proposed approach.

Our government remains dedicated to increasing accountability, transparency and better managing costs. We look forward to working together to implement our proposed improved approach to providing electricity rate relief for Ontarians.

Sincerely,

A handwritten signature in black ink, appearing to read 'Greg Rickford', with a stylized, cursive script.

The Honourable Greg Rickford
Minister of Energy, Northern Development and Mines

Kitchener-Wilmot Hydro Inc.

Engineering and Operations Report

for the Months of March - April 2019

MAJOR CONSTRUCTION PROJECTS

New Subdivisions:

- Contractor installed 95 residential services in the Becker Estates Subdivision; and 21 residential services in the 731 Huron Road Subdivision (Rochefort Street).
- Installed, connected and energized 2-50 kVA padmount transformers in the 300 Snyder's Road East townhouse development.

Services:

	Current Period	YTD	Budget
New Residential	92	180	1200
New 3-phase Commercial Tx	4	6	12
Upgraded 3-phase Commercial Tx	0	1	N/A

- Replacement of underground Network secondary cables for service upgrade to 87 King Street West. (completed)

Overhead Distribution:

- Rebuild a three phase 13.8 kV pole line on Weber Street East between East Avenue and Sheldon Avenue due to roadworks (6 wood line poles, 2 wood clearance poles). (completed)
- Rebuild a three phase 13.8 kV pole line on Ottawa Street South between Pattandon Avenue and Imperial Drive due to roadworks (16 wood line poles, 14 concrete clearance poles). (completed – by Contractor)
- Rebuild and extend a double circuit, three phase 13.8 kV pole line on Strasburg Road between Templewood Drive and Rockcliffe Drive due roadworks and for subdivision servicing (20 wood line poles and 2 wood clearance poles). (in progress)
- Extend a three phase 13.8 kV pole line on Robert Ferrie Drive between Elmbank Drive and Caryndale Drive for subdivision servicing (12 concrete line poles). (completed)
- Rebuild a three phase 13.8 kV pole line on Franklin Street North between Weber Street East and Trafalgar Avenue due to roadworks (14 wood line poles, 4 wood clearance poles). (in progress)
- Rebuild three phase 13.8 kV pole line at the intersection of Highland Road East and Stirling Avenue South due to roadworks (6 wood line poles, 3 wood clearance poles). (in progress)
- Rebuild a single phase 8.0 kV pole lines on Kelvin Avenue from Donley Street to the end of Kelvin Avenue due to age and condition (6 wood line poles). (in progress)
- Rebuild a single phase 8.0 kV pole line on Donley Street from Hoffman Street to the end of Donley Street due to age and condition (7 wood line poles). (in progress)
- Rebuild a single phase 8.0 kV pole line on Uplands Drive from Forest Hill Drive to Birchcliffe Drive due to age and condition (22 wood line poles). (in progress)
- Rebuild a single phase 8.0 kV pole line on Cloverdale Crescent from Uplands Drive to the end of Cloverdale Crescent due to age and condition (10 wood line poles). (in progress)

- Install 20 poles at 18 locations for minor replacements, service upgrades or line extensions.
- Install 2, 13.8 kV automated switches in the City. (completed)

Underground Distribution:

- Replacement of cables on Kingsway Drive from Wilson Avenue to past Greenfield Drive due to age and condition. (completed)
- Installation of new cables on the Robert Ferrie Drive extension for subdivision servicing. (completed)
- Rebuild top of Pullbox 553 on Kingsway Drive due to age and condition. (completed)
- Installation of Vault 1110 to replace Vault 599 and Pullbox 605 on Ontario Street North between Duke Street West and Weber Street West due to age and condition. (in progress)

Stations:

- Reverification of Transformer Station protection systems at #3 TS. (in progress – no progress in this report period)
- Upgrade protection and control equipment at #3 TS. (in progress)
- Replacement of T52 tapchanger reactor on T5 transformer at #3 TS. (in progress)

ASSET SUSTAINMENT

Distribution Poles (In Service):

Installed	Population Jan. 1, 2019	Population Apr. 30, 2019	Change YTD
1957 or earlier (≥ 60 years old)	2,527	2,501	-26
1958 - 1967 (50-59 years old)	2,015	2,007	-8
1968 - 1977 (40-49 years old)	2,044	2,001	-43
1978 or later (≤ 39 years old)	16,548	16,623	+75

Distribution Transformers (In Service):

Purchased	Population Jan. 1, 2019	Population Apr. 30, 2019	Change YTD
1967 or earlier (≥ 50 years old)	84	84	0
1968 - 1977 (40-49 years old)	779	772	-7
1978 or later (≤ 39 years old)	10,077	10,100	+23

Network Transformers (In Service):

Purchased	Population Jan. 1, 2019	Population Apr. 30, 2019	Change YTD
1967 or earlier (≥ 50 years old)	8	8	0
1968 - 1977 (40-49 years old)	13	12	-1
1978 or later (≤ 39 years old)	17	17	0

T-1508 (A8) network transformer in Vault 599 on Ontario Street was disconnected and will be replaced. (in progress)

RELIABILITY

- In March and April there were 168 interruptions on the distribution system that lasted more than 1 minute, resulting in 16,444 customer-hours of outage time, and affecting 22,690 customers. The average duration of time that customers were affected by an outage (CAIDI) was 44 minutes. There were also 6 momentary feeder interruptions that affected 17,949 customers. The outage time and the number of customers affected was higher for the months of March and April compared to the last 5 years.
- The biggest impact on reliability over the reporting period was due equipment failures, which accounted for over 49% of the outage time. We had outages caused by insulator failures in both March and April and these events accounted for 74% of the total outage time due to equipment failures during this report period.

Key Equipment Repair/Replacement Statistics:

Description	Current Period	2019 YTD	2018 Total
Distribution pole replacements – motor vehicle accidents	4	10	24
Distribution transformer failures/damaged (all types including single phase submersible transformers)	13	27	78
Single phase submersible transformer failures/damaged	10	19	52
Load Interrupter switches inspected/serviced/repared	9	10	6
Overhead primary line faults/repairs †	0	0	0
Overhead secondary line faults/repairs †	25	48	103
Underground primary line faults/repairs †	1	1	8
Underground secondary line faults/repairs †	1	7	27

† Line faults include faulted cables, connectors, splices, terminators and dig-ins, etc.

MISCELLANEOUS

- Nothing to report.

Respectfully submitted,



Wilfred Meston
Vice President Operations



Greig Cameron
Vice President Engineering & IT

Appendix 1

Engineering and Operations Report for the Months of March - April 2019

REGULATORY COMPLIANCE

Reported monthly so that deteriorating performance can be identified and corrected promptly.

System Reliability Statistics:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SAIDI	0.1330	0.0754	0.0516	0.1164								
SAIFI	0.0814	0.0687	0.0579	0.1737								
CAIDI	1.6344	1.0981	0.8900	0.6697								
MAIFI	0.1153	0.0946	0.0274	0.1559								

	Total YTD Index	Total YTD	Total Index Mar - Apr	Total Mar - Apr
SAIDI	0.3764	22.6 minutes/customer	0.1680	10.1 minutes/customer
SAIFI	0.3817	37,260 customers	0.2316	22,690 customers
CAIDI	0.9861	59.2 minutes avg. outage time/customer	0.7254	43.5 minutes avg. outage time/customer
MAIFI	0.3932	38,246 customers	0.1833	17,949 customers

Low Voltage Service Connection Statistics:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Total Services Connected	113	77	53	74									317
Connected On Time	113	78	53	74									318
% Connected On Time	100%	98.7%	100%	100%									99.7%

Meter must be installed within 5 days of the date that all conditions are met, 90% of the time annually.

High Voltage Service Connection Statistics:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Total Services Connected	0	0	0	0									0
Connected On Time	0	0	0	0									0
% Connected On Time	-	-	-	-									-

Meter must be installed within 10 days of the date that all conditions are met, 90% of the time annually.

Emergency Urban Response Statistics:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Total Emergency Responses	0	2	3	1									6
Responses On Time	0	2	2	1									5
% Responses On Time	-	100%	66%	100%									83%

When police request an emergency response in an urban area, the LDC must have someone on site within 60 minutes 80% of the time on an annual basis.

Emergency Rural Response Statistics:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Total Emergency Responses	0	0	0	0									0
Responses On Time	0	0	0	0									0
% Responses On Time	-	-	-	-									-

When police request an emergency response in a rural area, the LDC must have someone on site within 120 minutes 80% of the time on an annual basis.

Locate Statistics:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Total Locates Completed	824	414	958	1476									3672
Completed On Time	822	410	956	1421									3609
% Completed On Time	99.8%	99.0%	99.8%	96.3%									98.3%

Locates must be completed within 5 days 90% of the time on an annual basis.

14 May 2019

To: W. W. Meston, P. Eng., Vice-President Operations

From: John Finch, MSc, Manager of Energy Conservation & Corporate Communications

Subject: **Report – March & April 2019**

The following report details activities in the Conservation and Demand Management Department & Communications Department during the months of March & April 2019.

Conservation and Demand Management

On March 21st, 2019, the Minister of Energy, Northern Development and Mines, announced a Ministerial directive to the Independent Electricity System Operator (IESO) to discontinue the 2015-2020 Conservation First Framework. Therefore, KW Hydro has ceased marketing and promoting the Save On Energy programs and will focus on supporting the 300 business applications already submitted and approved.

1. Commercial Customer Support

- Continue to work closely with our commercial customers to complete their business retrofit applications.

	Name	Reason
March	Leoni Lab	Meeting regarding Incentives and Billing Questions
	Star Legacy	Data Logging
	Grand River Hospital	MRI Free Cooling Project
	Plastifab	Meeting with new Plant Manager
	Fibernetics	Walkthrough Assessment
	Tri County Mennonite	Billing Questions and Concerns
	Riverside Brass	Air Compressor SOE Application
	Mitchell Plastics	Data Logger Pick up
	Grand River Hospital	Meter Pick up
	City of Kitchener	Geothermal Meeting
April	St. Mary's Hospital	Meter Pickup
	Grand River Hospital	Project Metering
	Star Legacy	Data Logger Pick up
	Grand River Hospital	Project Update Meeting
	St. Mary's Hospital	Re metering Project

- Completed 162 Small Business Lighting Assessments for GS<50 customers equal to \$154,000 in lighting incentives

2. Progress Towards CDM Target

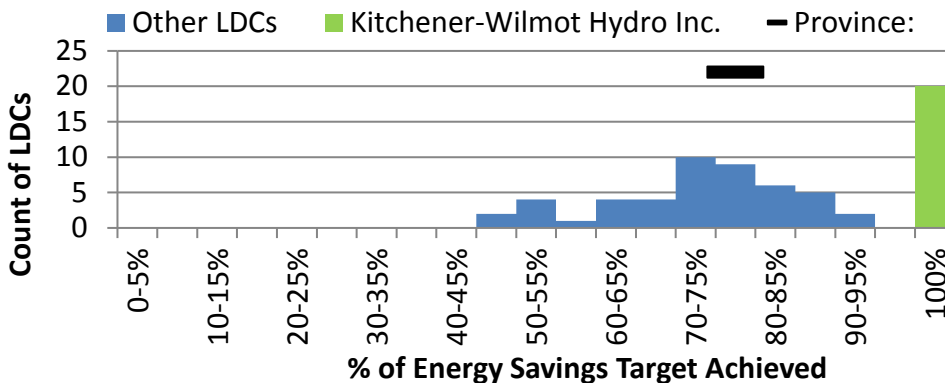
Results:

- IESO Participant & Cost Report**
 - 103 GWh or 98.7% of Full Term Target of 105.7 GWh

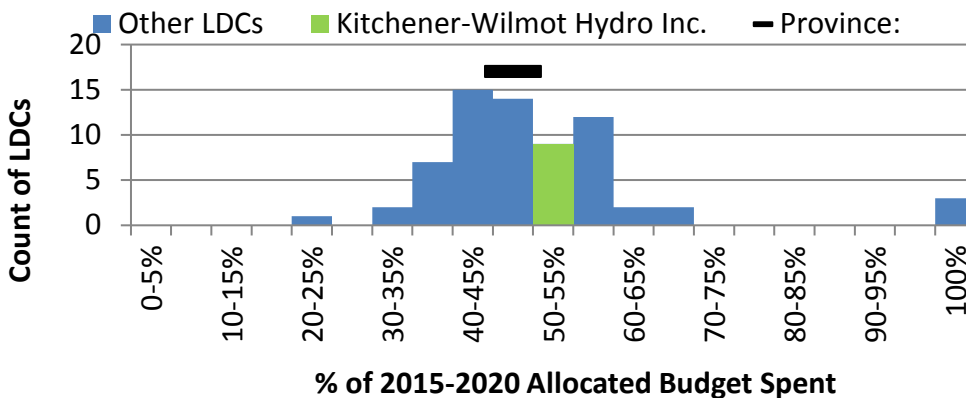
LDC Ranking in the Province out of 67

	Total % of 6-year Allocated Budget Spent	Total % of 6-year Allocated Target
This Month:	22	14

% of 2015-2020 Allocated Energy Savings Target Achieved



% of 2015-2020 Allocated Budget Spent



Communications Update

- Content for 2019 Community Report finalized
- Finalized a new enhanced rate brochure
- Distributed a media release announcing KW Hydro's winning 2018 **EDA Public Safety and LDC Performance Excellence awards**.
 - Release was picked up by the Waterloo Region Record, Kitchener Post, and New Hamburg Independent
- Finalized the Customer Engagement narrative for KW Hydro's Cost of Service Application
- Supported Dig Safe Month through social media
- Promoted Emergency Preparedness week



John Finch MSc
Manager of Energy Conservation & Corporate Communication

JF:jw

MEMORANDUM

TO: Jerry Van Ooteghem
FROM: Greig Cameron
DATE: May 24, 2019
SUBJECT: Information Systems & Technology (IS&T) Summary – March and April 2019

Customer Information System – Replacement Project

- A recommendation to implement Oracle Utilities Customer Care and Billing (CC&B) using AITO as the system integrator in partnership with Oracle Consulting Services (OCS) was presented to the Board of Directors at the March 25th board meeting. The board gave us the go ahead to complete negotiations with AITO and OCS with assurance of certain termination clauses and go/no-go decision points. At the end of April, contract negotiations were still underway with a slight delay due to legal representation conflict of interest that had to be cleared prior to our lawyer, BLG, commencing review of the contracts. The conflict arose from Oracle Canada also being a client of BLG's Quebec office.

Legacy CIS Maintenance

The following maintenance/changes/enhancements to the legacy CIS are listed below:

- Wrote a program that extracts hourly data for all City of Kitchener electric meters (smart and interval) and uploads the data to the city's SFTP site.
- Set up AS2 trading partners on the new data exchange server for the following partners; Savage, Sensus and the MDM/R.
- Addition to bill print to include the Electricity Supply Mix insert for March 2019 as required by the OEB.
- Modified retailer service charges as required by the OEB to assist in recovering the costs of carrying retailed consumers.
- Modified bill print program to include the "AffordAbility" Fund Insert in all residential customers bills, starting April 10, 2019.

Payroll

The implementation of a new payroll and HRMS, UltiPro, is underway. The team at KWHI has been working with Ultimate Software and have provided the Ultimate team with an overview and insight into the payroll and HR processes at KWHI. Initial system blueprint has been completed, along with the master data load and base configuration. The KWHI team is currently validating the data load and reviewing configuration. We have configured single sign-on via our Active Directory Self Service solution. We are waiting on UltiPro to finalize their side of the configuration before we can complete ours.

Further configuration updates, interface and report development are scheduled next. Once complete, the team will begin final testing. System go-live is anticipated to be early July 2019.

Corporate

Outage Management System

An upgrade to the production Outage Management System has been completed. The production system and QA system are now the same software version. Issues are still present with map blasts, copying the network details from the GIS to the OMS, and the team is working with ACS to resolve these issues.

Help Desk Tickets

A total of 286 support tickets were received (opened) via Help Desk for the months of March and April. See Figures 1, 2 & 3 below for more details.

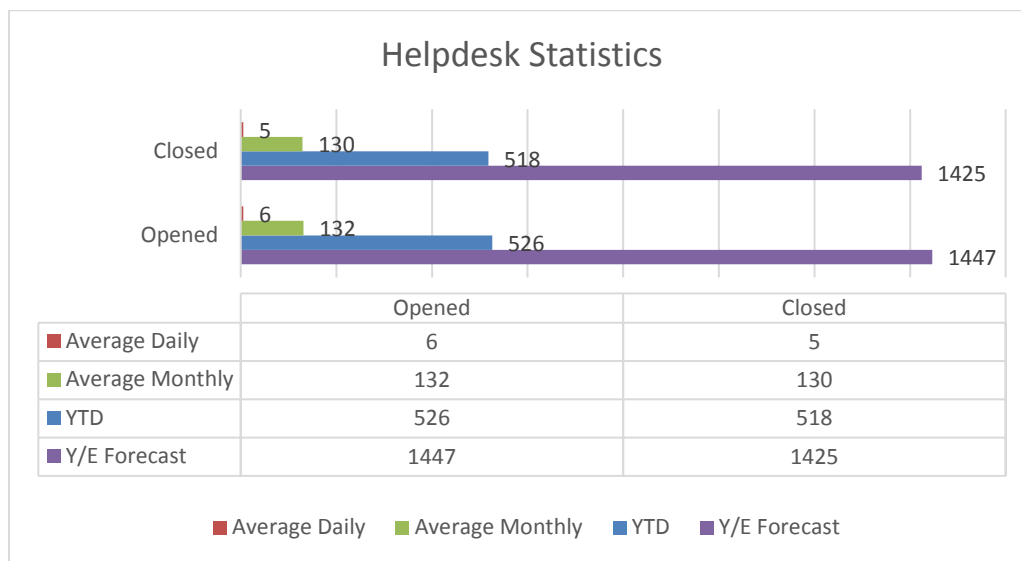


Figure 1: Help Desk Statistics

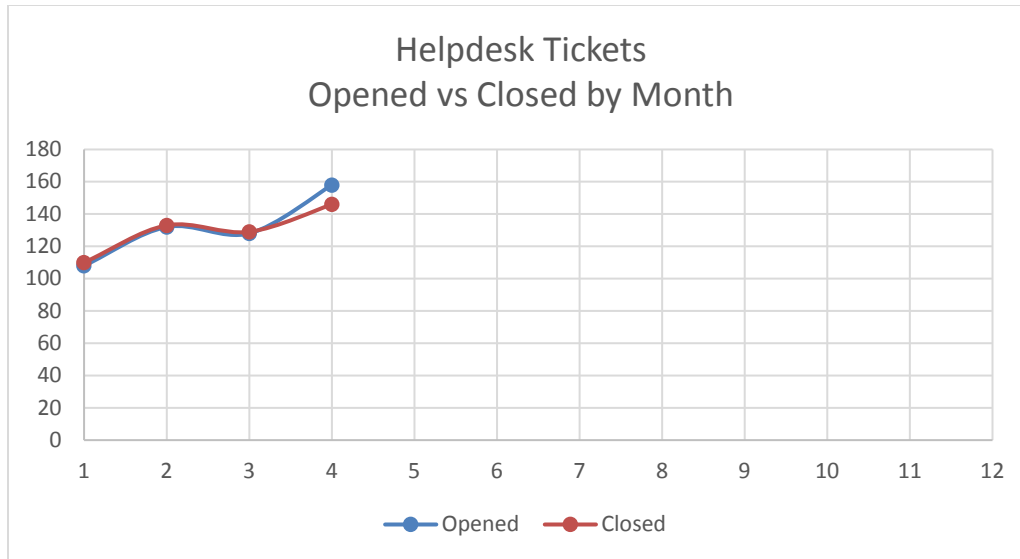


Figure 2: Tickets Opened and Closed per Month via Help Desk

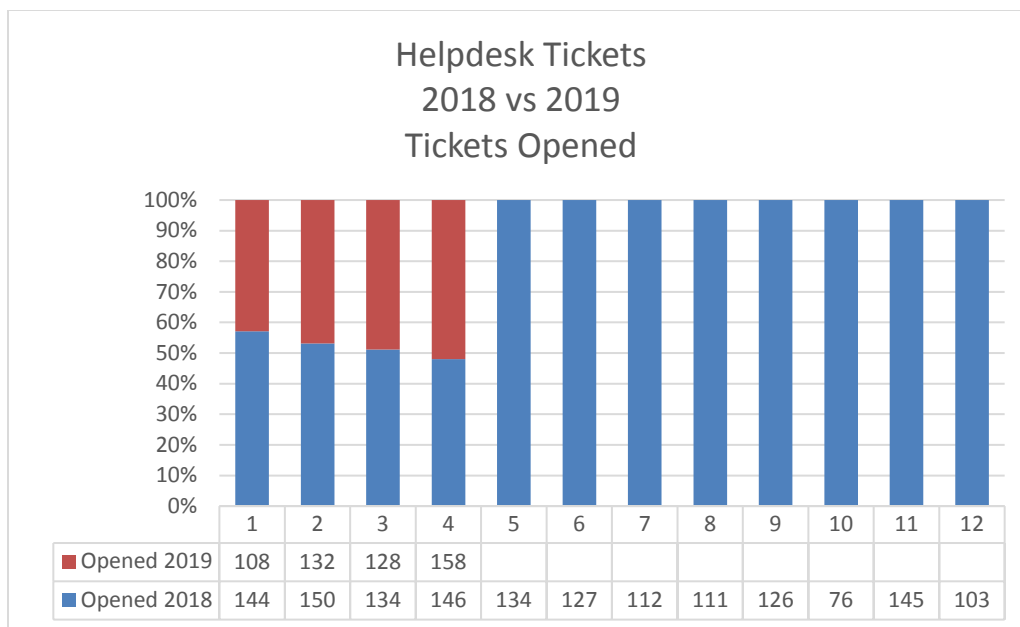


Figure 3: Year over Year Comparison for Tickets Opened

Active Directory Self-Service

Completed tasks to rollout self-service User Password Reset and Account Unlock. This service allows users to reset their Windows Password or unlock their Windows account without helpdesk assistance. Users simply sign-up via the link provided in a global communication that was sent out by IT, configure challenge questions and answers, after which they are all setup to manage their passwords and user account. When a password is forgotten or an account needs to be unlocked, users can simply answer their challenge questions and serve themselves.

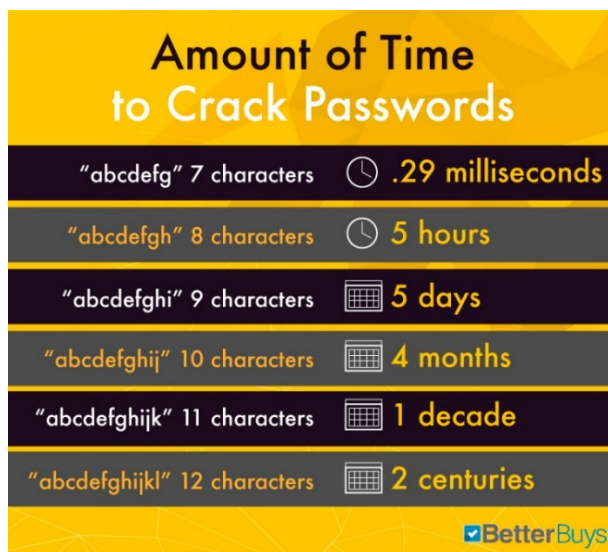
VPN

A component of our IT strategy is reducing duplicate endpoints. One of the issues preventing us from executing our strategy is access to OMS via VPN. Users were required to remotely connect to their PC in order to access OMS via VPN. This has been remediated, users can now natively access OMS via VPN and the IT strategy execution can continue as planned.

Policies & Procedures

Authored a new Password Policy (IT-4) that introduces 11-character passwords in favour of 9. This greatly decreases the ability to compromise an account and reduces the ability to create a simplistic password. The policy is in draft and awaiting approval.

Following is an Infographic showing the amount of time it takes to crack a password based on length.



Information Technology Infrastructure

Office 365

Migration to Office 365 has been completed. Next steps include decommissioning our legacy Exchange environment and distributing optional training to users.

AS2 Server

A new server has been provisioned to replace our legacy AS2 server. AS2 is an encryption protocol used to securely transmit data between configured partners (e.g. MDMR, Savage, etc.). Workloads are scheduled to be moved over to the new server by the end of May.

Cellular Antennas

Cellular antennas have been installed in the Distribution and GRE locations. These antennas were installed to provide cellular coverage for areas deemed cold zones by a site survey. A mini cell tower was also installed on the roof which provides the connection for the antennas.

File Servers

[REDACTED]

SCADA

[REDACTED]

[REDACTED]

HPE SimpliVity Hyper Converged Infrastructure

SimpliVity has proven to be one of our best infrastructure acquisitions. As seen below, we have reduced our stored capacity at a rate of 18.7:1, leaving us with a total savings of 141.4 TB not being written to disk. We have also completed migrating required Virtual Machines to SimpliVity. We still have approximately 12 Virtual Machines running on the old infrastructure that will not be migrated. Instead the Virtual Machines will be upgraded to a new server running on SimpliVity and decommissioned from the old infrastructure, thereby reducing work effort. HPE SimpliVity is a hyperconverged solution that provides processing, storage, compression, deduplication, networking, virtualization, backup and disaster recovery for the organization in one physical server. There are currently two identical servers installed for redundancy.

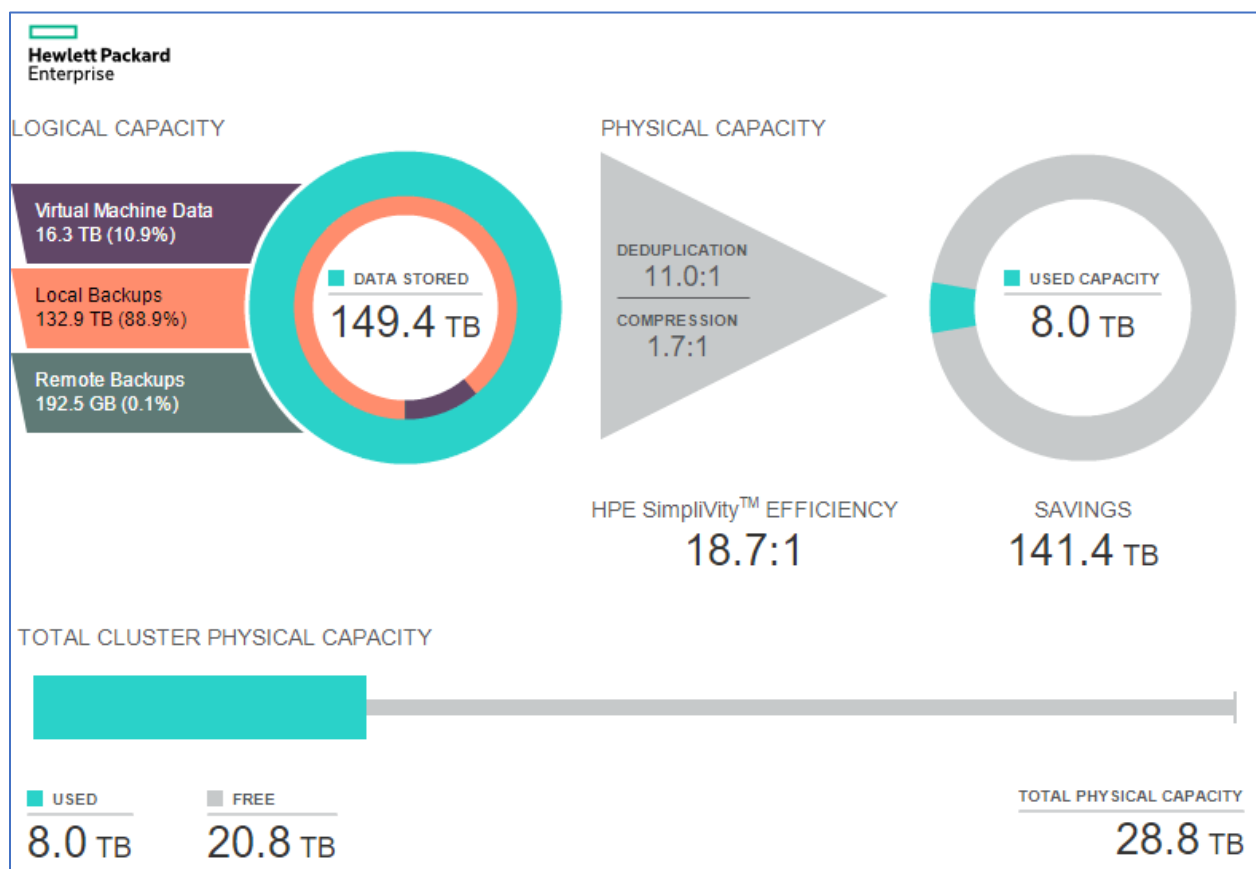


Figure 4: Symplivity Storage Deduplication and Compression on KWHI's network

Cyber Security

- OEB Cyber Security Framework (CSF)
 - **Incident Response Plan** - work continued on developing an Information Security Incident Response Plan (IRP) that will serve the purpose of defining, identifying, ranking, and responding to IT incidents. The draft IRP was completed and sent to BLG for legal review. Feedback received from BLG is

being incorporated into the plan before finalizing. The IRP was expected to be finalized by the end of Q1 2019 but is now pushed back to Q2. Even though the plan has not been finalized, we were able to utilize it during a recent internet outage incident that was initially believed to be a cyber event.

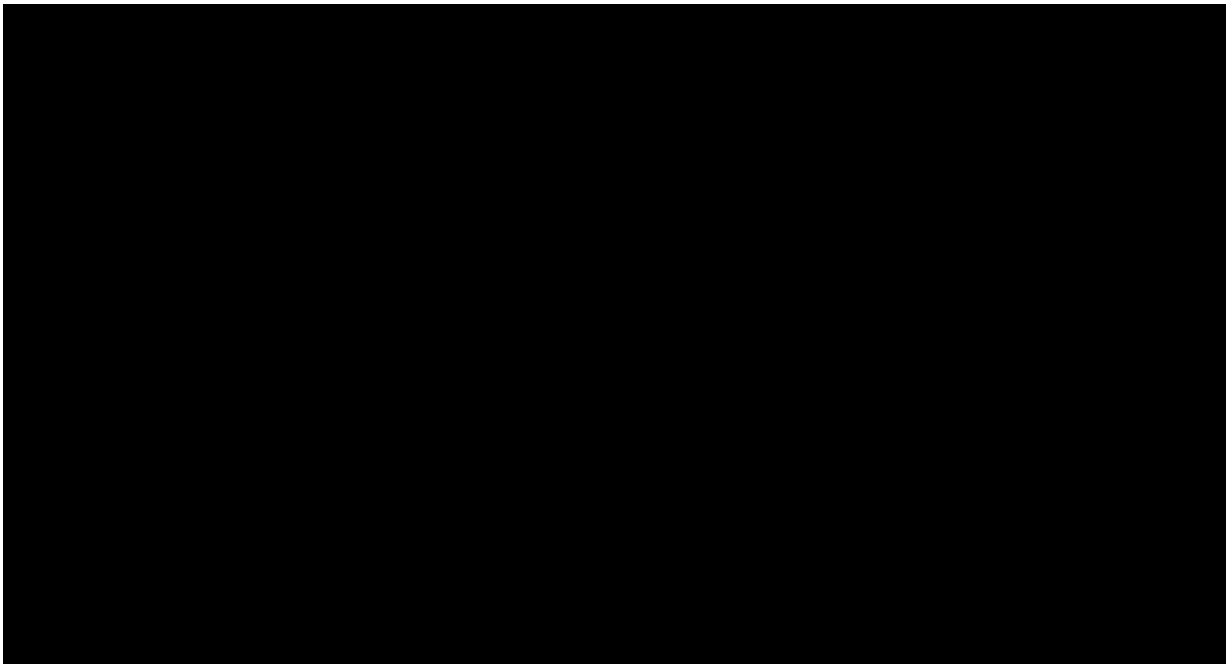
- **Third-Party Risk Register** - to gain better understanding of KWHI's exposure to outside organizations, a list of service providers has been assembled. This list includes who has access to our systems, what data access they have, who they are, and if contracts, confidentiality agreements and non-disclosures are in place.

[REDACTED]

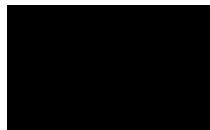
- **eSentire Continuous Monitoring**

- **Vulnerability Assessment** - as part of the esRECON package, eSentire performs vulnerability scanning of specific internal and external facing networks. The percentage values are based on the total number of vulnerabilities (internal and external). Below are the statistics from the scans performed on April 27th. A vulnerability is a weakness or flaw that exist on the network or in application systems that can be exploited by a threat source and result in an incident. One vulnerability may affect multiple assets, one asset may have multiple IP addresses and one IP address may be affected by a vulnerability multiple times, such as once on port 80 and another port 443. Therefore, this does not represent a count of unique vulnerabilities or of unique vulnerabilities per IP, but rather a count of unique vulnerability instances. We continue to patch critical and external vulnerabilities on a higher priority basis than non-critical and internal vulnerabilities.

[REDACTED]



The attached spreadsheet below is a comparative summary for April of internal and external vulnerabilities and how they are managed in terms of new ones added and old ones that are dropped (patched).



- **Cyber Threats** – as part of the esNetwork package, eSentire actively monitors our networks, both internal and external, to detect any cyber threats in the form of exploits, brute force attacks, intrusion, phishing, etc. The figures below show the number of events and incidents detected for the month of April. There was only one security incident and it did not result in a security escalation.

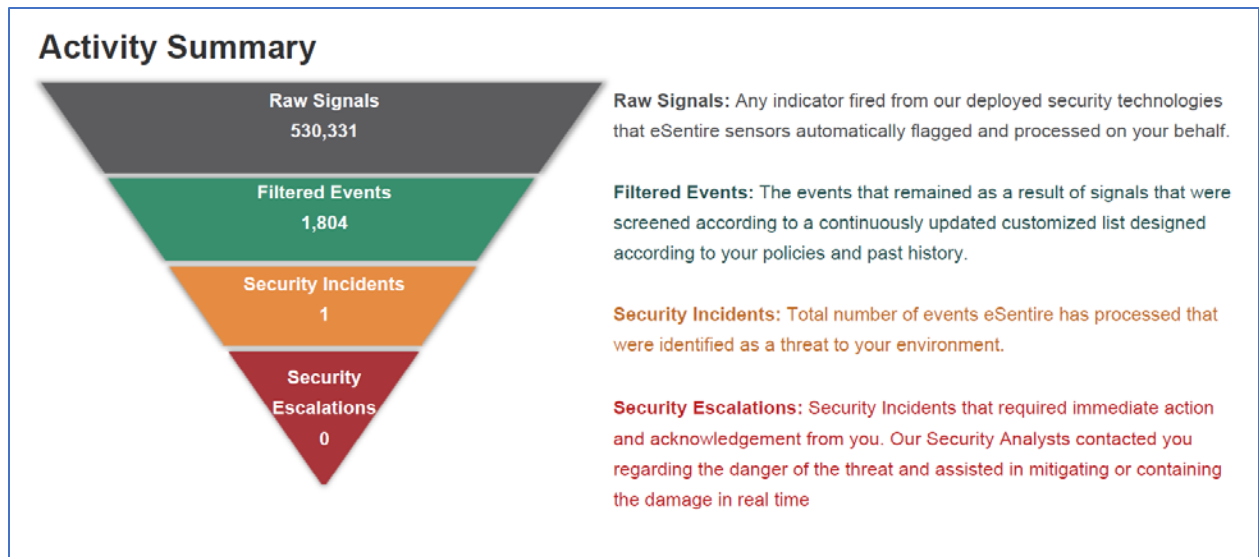


Figure 7: Network Monitoring activity summary for March 2019

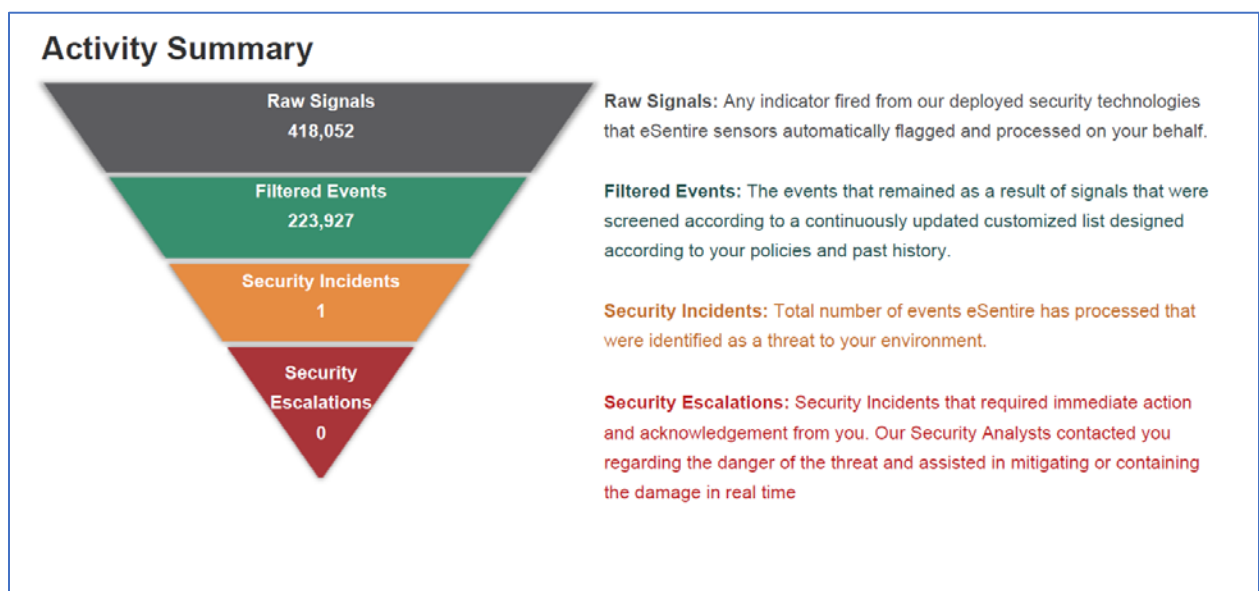


Figure 8: Network Monitoring activity summary for April 2019

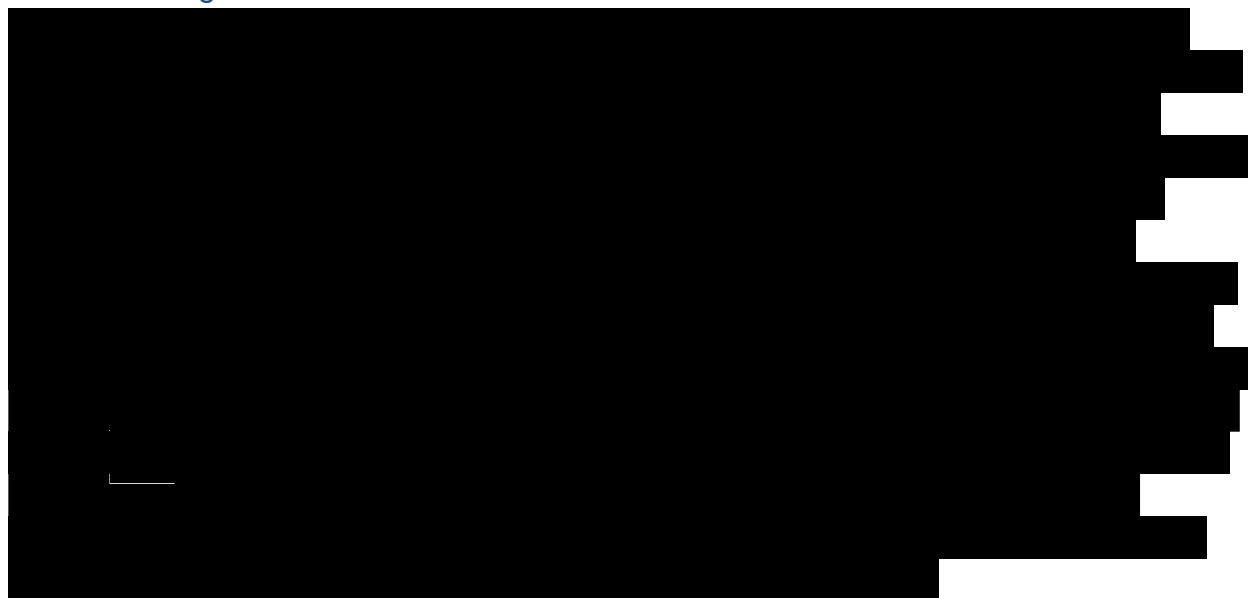
Email Activity

The following email statistics have been collected from Mimecast and summarized in the table below. For the months of March (66%) and April (61%), we continue to see more than 50% of all inbound emails being rejected as spam or blocked due to originating from known IP addresses that are part of a rejection block list (RBL).

Month-Year	Total Inbound Email	Rejections (includes viruses & spam)	Legit Inbound Email	% Rejections	Total Outbound Email	Total Internal Email
June - 2018	245	122	123	49.8 %	22,223	5
July - 2018	26,313	7,477	18,836	28.42 %	25,239	1,717
Aug - 2018	26,988	8,646	18,342	32.04 %	25,190	1,563
Sep - 2018	44,942	26,288	18,654	58.49 %	25,213	1,554
Oct - 2018	62,524	41,976	20,548	67.14 %	26,069	1,709
Nov - 2018	46,554	25,770	20,784	55.36 %	27,700	1,587
Dec - 2018	51,732	35,159	16,573	67.96 %	23,588	1,454
Jan - 2019	61,134	40,278	20,856	65.88 %	27,947	1,352
Feb - 2019	67,049	48,032	19,017	71.64 %	26,164	1,233
Mar - 2019	63,570	41,698	21,872	65.59 %	28,248	2,166
Apr - 2019	59,542	36,492	23,050	61.29 %	29,165	1,742
Total	510,593	311,938	198,655		286,746	16,082
Mean	46,417.55	28,358	18,059.54	56.69 %	26,067.82	1,462

Figure 9: March – April 2019, Email Management Statistics

Internet Outage Incidents



Certificate Authority



RSA



KnowBe4 - Cyber Security Training

Online Cyber Security Training was issued on March 5th to all users. Users had one month to complete the training and as of the end of April we are only approximately 40% complete. Most of the inside staff had completed their training while most of the outside staff had not. We are currently reviewing the strategy for cyber security training and evaluating a different approach for inside vs outside staff who does not utilise a computer on a frequent basis. The plan is to continue requesting that inside staff complete awareness training on a quarterly basis with training sessions lasting approximately 20 minutes in length. For the outside staff, we are evaluating delivering their awareness sessions in a group setting such as at monthly safety meetings. A policy will be implemented to document training requirements and outline compliance measures. Awareness training is a mandatory requirement for all LDCs per the OEB Cyber Security Framework.

My Account



Miscellaneous

Staff Resources/Development

- The Applications Systems department is currently without a Systems Analyst, as Ed Williams resigned effective April 24th. Recruiting is underway in search for a replacement.
- Jeff Mendes, the retired payroll system resource was on contract until the end of 2018 for payroll support. Jeff has agreed to an extension until the end of July 2019 to support the new HRMS & Payroll system implementation.
- Staff continued to utilize Stormwind for IT training resources and are making great progress.

HR Document Management Project

Worked with Loris Technologies to finalize the HR document management project including the addition of access rights to senior staff (VPs).

Meters

Modified the IMC (Interval meter Change) routine to display the Out Meter before the In Meter. The meter reading history was leveraged to find the last posted meter change and pre-populate the screen.

List of Abbreviations and Definitions

AS2	Applicability Statement 2
ADSS	Active Directory Self Service
CA	Certificate Authority
CIS	Customer Information System
CMEP	California Metering Exchange Protocol
COBOL	Common Business-Oriented Language
DDoS	Distributed Denial of Service
CSF	Cyber Security Framework
FTP	File Transfer Protocol
HQ	Headquarters
HRMS	Human Resource Management System
IP	Internet Protocol
IT	Information Technology
IS&T	Information Systems & Technology
KWHI	Kitchener-Wilmot Hydro Inc.
NFS	Network File System
ODS	Operational Data Store
OEB	Ontario Energy Board
OREC	Ontario Rebate for Electricity Consumers
OT	Operation Technology
SOC	Security Operations Centre
SPMA	Security Program Maturity Assessment
TS	Transformer Station
VPN	Virtual Private Network

AS2 – is a secure and widely accepted method for exchanging B2B transaction data over the Internet.

Bots - an autonomous program on a network (especially the Internet) that can interact with computer systems.

Phishing - the fraudulent attempt to obtain sensitive information such as usernames, passwords and credit card details by disguising as a trustworthy entity in an electronic communication.

Vishing - the telephone equivalent of phishing. It is described as the act of using the telephone in an attempt to scam the user into surrendering private information that will be used for identity theft.

April 5, 2019

To: J. Van Ooteghem, President & CEO

From: Margaret Nanninga, Vice-President Finance & CFO

Subject: **Report – March 2019**

The following report details activities in the Customer Services Department during the month of March 2019.

CUSTOMER STATISTICS FOR THE PERIOD ENDING MARCH 2019

SERVICES	MARCH 2019	DECEMBER 2018	VARIANCE #	VARIANCE%
Large User	1	1	0	0.00 %
Commercial	947	949	(2)	(0.21) %
General Service	8,067	8,031	36	0.45 %
Street Lighting	8	8	0	0.00 %
Unmetered	14	14	0	0.00 %
Residential	88,013	87,846	167	0.19 %
TOTAL	97,050	96,849	201	0.21 %

ENERGY CONSUMPTION (kWh) *	Year To Date MARCH 2019	Year to Date MARCH 2018	VARIANCE #	VARIANCE%
Large User	9,640,032	6,389,951	3,250,081	50.86 %
Commercial	217,208,897	214,933,212	2,275,686	1.06 %
General Service	66,763,288	65,059,982	1,703,306	2.62 %
Street Lighting	2,131,755	2,174,800	(43,044)	(1.98) %
Unmetered	1,031,477	1,047,463	(15,986)	(1.53) %
Residential	180,287,227	174,286,502	6,000,725	3.44 %
TOTAL	477,062,678	463,891,910	13,170,768	2.84 %

DEMAND (kW) *	2019	2018	VARIANCE #	VARIANCE %
MARCH	181,539	173,064	8,475	4.90 %
Year To Date	552,905	534,978	17,927	3.35 %

* All Customers

CUSTOMER SERVICES STATISTICS – MARCH 2019

TELEPHONE MARCH- YEAR TO DATE	2019	2018	VARIANCE #	VARIANCE %
Calls Answered-Billing	12,731	12,596	135	1.07 %
Calls Answered-Collections	670	747	(77)	(10.31) %
Total Calls Answered Within 30 Seconds	12,460	12,527	(67)	(0.53) %
WRITTEN RESPONSES – MARCH				
Written Responses to Customer Inquiries	1,323	1,267	56	4.42 %
SERVICE ACTIVITY - MARCH				
Services Sealed for Non-Payment	3	3	0	0.00 %
Services Sealed for No Contract	3	13	(10)	(76.92) %
Services Sealed as Requested by Owner	11	11	0	0.00 %
Services Unsealed	23	25	(2)	(8.00) %
METER READING - MARCH				
Manual	41	56	(15)	(26.79) %
Electronic	97,898	96,759	1,139	1.18 %
ELECTRONIC BILL YEAR TO DATE				
e-Bill	33,013	24,978	8,035	32.17 %
Epost	17,587	18,811	(1,224)	(6.51) %
ONTARIO ENERGY BOARD COMPLAINTS	Monthly New Complaints	# Active	DETAILS	
MARCH 2019	1	0	Complaint filed against KWHI was unfounded. Customer received termination notice from Kitchener Utilities, contacted the OEB stating notice was from KWHI. Complaint closed.	
Year to Date	1	0		

Respectfully Submitted,



Margaret Nanninga
Vice-President Finance & CFO

MN:jw

May 6, 2019

To: J. Van Ooteghem, President & CEO

From: Margaret Nanninga, Vice-President Finance & CFO

Subject: **Report – April 2019**

The following report details activities in the Customer Services Department during the month of April 2019.

CUSTOMER STATISTICS FOR THE PERIOD ENDING APRIL 2019

SERVICES	APRIL 2019	DECEMBER 2018	VARIANCE #	VARIANCE%
Large User	1	1	0	0.00 %
Commercial	948	949	(1)	(0.11) %
General Service	8,066	8,031	35	0.44 %
Street Lighting	8	8	0	0.00 %
Unmetered	16	14	2	14.29 %
Residential	88,071	87,846	225	0.26 %
TOTAL	97,110	96,849	261	0.27 %

ENERGY CONSUMPTION (kWh) *	Year To Date APRIL 2019	Year to Date APRIL 2018	VARIANCE #	VARIANCE%
Large User	12,934,467	9,294,533	3,639,934	39.16 %
Commercial	286,312,974	282,864,218	3,448,756	1.22 %
General Service	85,463,857	84,688,866	774,991	0.92 %
Street Lighting	2,710,073	2,750,970	(40,897)	(1.49) %
Unmetered	1,378,505	1,396,369	(17,864)	(1.28) %
Residential	230,235,901	226,077,639	4,158,262	1.84 %
TOTAL	619,035,777	607,072,596	11,963,182	1.97 %

DEMAND (kW) *	2019	2018	VARIANCE #	VARIANCE %
APRIL	182,333	174,859	7,474	4.27 %
Year To Date	735,238	709,837	25,401	3.58 %

* All Customers

CUSTOMER SERVICES STATISTICS – APRIL 2019

TELEPHONE APRIL - YEAR TO DATE	2019	2018	VARIANCE #	VARIANCE %
Calls Answered-Billing	17,315	17,250	65	0.38 %
Calls Answered-Collections	902	1,004	(102)	(10.16) %
Total Calls Answered Within 30 Seconds	16,918	17,090	(172)	(1.01) %
WRITTEN RESPONSES – APRIL				
Written Responses to Customer Inquiries	1,478	1,314	164	12.48 %
SERVICE ACTIVITY - APRIL				
Services Sealed for Non-Payment	3	2	1	50.00 %
Services Sealed for No Contract	12	13	(1)	(7.69) %
Services Sealed as Requested by Owner	17	17	0	0.00 %
Services Unsealed	29	32	(3)	(9.38) %
METER READING - APRIL				
Manual	39	58	(19)	(32.76) %
Electronic	97,997	96,887	1,110	1.15 %
ELECTRONIC BILL YEAR TO DATE				
e-Bill	44,407	33,707	10,700	31.74 %
Epost	23,416	25,033	(1,617)	(6.46) %
ONTARIO ENERGY BOARD COMPLAINTS	Monthly New Complaints	# Active	DETAILS	
APRIL 2019	0	0		
Year to Date	1	0		

Respectfully Submitted,



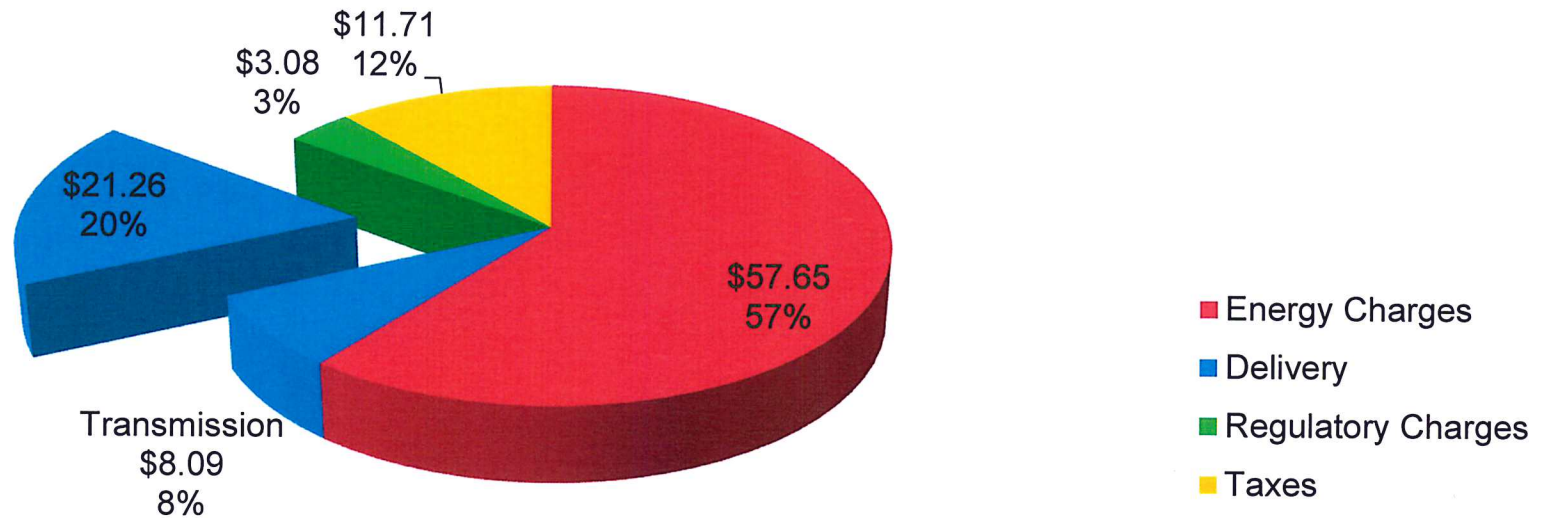
Margaret Nanninga
Vice-President Finance & CFO

MN:jw

**RATES COMPARISON - 700 kWh
RESIDENTIAL RATE CLASSIFICATION - TOU PRICING**

May 1, 2019	Quantity Unit	Rate	Amount	Amount	Difference
ENERGY					
700 kWh					
On-Peak (18%)	126.0000 kWh	\$0.1340	\$16.88		
Mid-Peak (17%)	119.0000 kWh	\$0.0940	\$11.19		
Off-Peak (65%)	455.0000 kWh	\$0.0650	\$29.58	\$57.65	
DELIVERY					
Transmission Network Charge	724.5700 kWh	\$0.0059	\$4.27		
Transmission Connection Charge	724.5700 kWh	\$0.0017	\$1.23		
Distribution Charge	700.0000 kWh	-\$0.0020	-\$1.40		
Fixed Delivery Charge	1 Month	\$22.66	\$22.66		
Smart Metering Entity Charge	1 Month	\$0.57	\$0.57		
Line Loss Adjustment (3.51%)			\$2.02	\$29.35	
REGULATORY					
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25		
Wholesale Market Charge	724.5700 kWh	\$0.0039	\$2.83	\$3.08	
TAXES & REBATES					
HST Charge	\$90.08	13.00%	\$11.71	\$11.71	
8 % Provincial Rebate	\$90.08	-8.00%	-\$7.21	-\$7.21	
			\$94.58	\$94.58	
					\$3.95
					4.4%
					Higher
January 1, 2019	Quantity Unit	Rate	Amount	Amount	
ENERGY					
700 kWh					
On-Peak (18%)	126.0000 kWh	\$0.1320	\$16.63		
Mid-Peak (17%)	119.0000 kWh	\$0.0940	\$11.19		
Off-Peak (65%)	455.0000 kWh	\$0.0650	\$29.58	\$57.40	
DELIVERY					
Transmission Network Charge	724.5700 kWh	\$0.0059	\$4.27		
Transmission Connection Charge	724.5700 kWh	\$0.0017	\$1.23		
Distribution Charge	700.0000 kWh	-\$0.0070	-\$4.90		
Fixed Delivery Charge	1 Month	\$22.66	\$22.66		
Smart Metering Entity Charge	1 Month	\$0.57	\$0.57		
Line Loss Adjustment (3.51%)			\$2.01	\$25.84	
REGULATORY					
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25		
Wholesale Market Charge	724.5700 kWh	\$0.0039	\$2.83	\$3.08	
TAXES & REBATES					
HST Charge	\$86.32	13.00%	\$11.22	\$11.22	
8 % Provincial Rebate	\$86.32	-8.00%	-\$6.91	-\$6.91	
			\$90.63	\$90.63	

Rates for 700 kWh Residential Customer Effective May 1, 2019



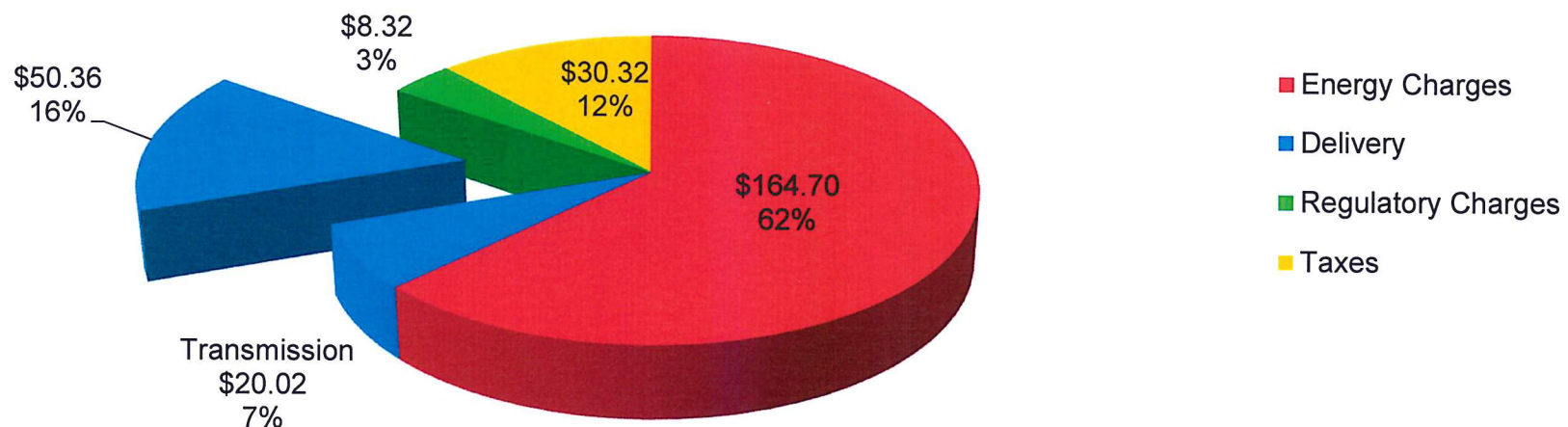
*Total Bill \$101.79

*Before the rebate of 8%

RATES COMPARISON - 2000 kWh
GS<50kW RATE CLASSIFICATION - TOU PRICING

May 1, 2019	Quantity Unit	Rate	Amount	Amount	Difference
ENERGY					
2000 kWh					
On-Peak (18%)	360.0000 kWh	\$0.1340	\$48.24		
Mid-Peak (17%)	340.0000 kWh	\$0.0940	\$31.96		
Off-Peak (65%)	1,300.0000 kWh	\$0.0650	\$84.50	\$164.70	
DELIVERY					
Transmission Network Charge	2,070.2000 kWh	\$0.0051	\$10.56		
Transmission Connection Charge	2,070.2000 kWh	\$0.0015	\$3.11		
Distribution Charge	2,000.0000 kWh	\$0.0113	\$22.60		
Fixed Delivery Charge	1 Month	\$27.76	\$27.76		
Smart Metering Entity Charge	1 Month	\$0.57	\$0.57		
Line Loss Adjustment (3.51%)			\$5.78	\$70.38	
REGULATORY					
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25		
Wholesale Market Charge	2,070.2000 kWh	\$0.0039	\$8.07	\$8.32	
TAXES & REBATES					
HST Charge	\$243.40	13.00%	\$31.64	\$31.64	\$11.49
8 % Provincial Rebate	\$243.40	-8.00%	-\$19.47	-\$19.47	
			\$255.57	\$255.57	4.7%
					Higher
January 1, 2019	Quantity Unit	Rate	Amount	Amount	
ENERGY					
2000 kWh					
On-Peak (18%)	360.0000 kWh	\$0.1320	\$47.52		
Mid-Peak (17%)	340.0000 kWh	\$0.0940	\$31.96		
Off-Peak (65%)	1,300.0000 kWh	\$0.0650	\$84.50	\$163.98	
DELIVERY					
Transmission Network Charge	2,070.2000 kWh	\$0.0051	\$10.56		
Transmission Connection Charge	2,070.2000 kWh	\$0.0015	\$3.11		
Distribution Charge	2,000.0000 kWh	\$0.0062	\$12.40		
Fixed Delivery Charge	1 Month	\$27.76	\$27.76		
Smart Metering Entity Charge	1 Month	\$0.57	\$0.57		
Line Loss Adjustment (.%)			\$5.76	\$60.16	
REGULATORY					
Standard Supply Administration Fee	1 Month	\$0.25	\$0.25		
Wholesale Market Charge	2,070.2000 kWh	\$0.0039	\$8.07	\$8.32	
TAXES & REBATES					
HST Charge	\$232.46	13.00%	\$30.22	\$30.22	
8 % Provincial Rebate	\$232.46	-8.00%	-\$18.60	-\$18.60	
			\$244.08	\$244.08	

Rates for 2,000 kWh General Service <50 kW Customer Effective May 1, 2019



Total Bill \$275.04
*Before rebate of 8%

Health & Safety and Human Resources Report

For the Months of March & April 2019

HEALTH & SAFETY

1. Incidents

	This Period	YTD	YTD 2018
Compensable	0	0	0
Medical Aid	1	3*	0
Vehicle	1	1	1

1,292,846 hours worked without a compensable injury

*2 eye injuries from tree material, 1 rolled ankle

2. Safety Training

Course	Date (2019)	Employee Hours	2018
Apprenticeship Training	March 1 - 8	48	
Loaner Truck Training	March 4	4	
Supervisor MSD Prevention Training	March 8	20	
Book 7 Training	March 9	8	
Crane Operator Training	March 11 – 15	40	
Outside Safety Meeting	March 22	88.5	
PowerMate Trainer Training	April 8	4	
Operator Safety Meeting	April 10	25	
Propane Training	April 10	33	
Confined Space Training	April 11 & 12	32	
Working At Heights Training	April 18	30.5	
Rescue Practice Day	April 25	356	
Cable Splice Training	April 25	65	
New Employee Orientations	March & April	80	
Software Training	March & April	61	
Total for March & April		895	924
Total Year to Date		2563.5	2323.5

3. Miscellaneous

Several members of KW Hydro staff attended the EDA Awards Ceremony where Kitchener-Wilmot Hydro won the Ontario Power Generation sponsored EDA LDC Performance Excellence Award which recognizes outstanding performance excellence in occupational health and safety, operations, finance, conservation and contributions to the local community. Kitchener-Wilmot Hydro also won the Electrical Safety Authority sponsored Public Electrical Safety Excellence Award for partnering 47 other utilities and companies to develop electrical safety awareness videos to help educate customers. The videos are shown as part of our utility's electrical safety school program, contractor education and as part of First Responders' orientation.

The Manager of Health, Safety & Wellness and the Safety Coordinator attended the Township of Wilmot Flood Preparedness Open House on March 6th. Residents were educated on electrical safety and preparedness as part of strategies to be utilized during or following a flood.

The annual safety lunch was held on April 26th, a day before the National Day of mourning for workers killed on the job. A moment of silence was held for those killed on the job in Ontario. This was also a celebration of achieving 1,250,000 hours without a Lost Time Injury. The event also celebrated the individual safety achievements of 19 employees and 1 retiring JHSC member.

Our school safety presentations on electricity were in full swing with 19 classes of Grade 5 and 6 children learning about electricity. Electrical awareness sessions about working around overhead wires were delivered to the Central Labour Management Health & Safety Committee Meeting (19 people), to J. Weber Construction (22 people) and to Capital Paving (162 people).

Kitchener- Wilmot Hydro took its turn hosting the Association of Electrical Utility Safety Professionals of Ontario (AEUSP) meeting.

The Manager of Health, Safety & Wellness and the Safety Coordinator attended the Workplace Safety & Prevention Services' Partners in Prevention 2019 Health & Safety Conference and Tradeshow in April. The Manager attended a CEO Health and Safety Charter event focusing on company resilience.

An orientation for K-Line was completed before they started work on a Line Construction Contract.

HUMAN RESOURCES

- **Changes in Personnel**

Name	Position	Status	Effective Date
Brian Holdsworth	General Foreman	Promoted	April 1, 2019

Sick and Medical Hours

Absences	This Period (March - April)		Jan – Apr YTD Hrs 2018	Jan – Apr YTD Hrs 2017	Jan – Apr YTD Hrs 2016	Jan – Apr YTD Hrs 2015
	Occurrences	Hours				
Short term <=5 days	93	1,157	2,357	2,217	2,051	2,025
Long term >5 days	1	103	1,255	1,161	1,445	295
Medical	63	127	384	451	321	293
TOTAL	157	1,387	3,996	3,829	3,817	2,613

- **Miscellaneous**

The Manager of Human Resources attended the HR EDA Council meeting in April as well as an HR GSC meeting. The Manager of Human Resources also hosted an HR Utility Meeting in March.

Three VP's and the Manager of Human Resources attended a full day seminar on Harassment Investigation in March. This was facilitated by HR Proactive and was well received.

Several hours have been spent with the Ultimate launch team as well as our internal HR/Payroll team as we prepare to launch our new system. Additionally, we as a team have taken several virtual training sessions to better equip ourselves with the skills that will be required to maintain the system.

Recruitment efforts over the last two months have been busy as we hired a new Meter Technician to replace one who was promoted to Supervisor as the current supervisor is retiring. We also hired a Substation Electrician and a Confidential Secretary who is retiring at the end of June. Lastly, several summer students were hired for Construction, Distribution, Engineering, Locates and Customer Service.

The results from the Engagement survey that was released in December were shared with the Senior Team. The results were favourable overall. The results will be shared to the rest of organization at the next Staff meeting in June.

Date: June 7, 2019
To: Jerry Van Ooteghem, President & CEO
From: Margaret Nanninga, Vice-President Finance & CFO
Re: Finance Report for the period ending March 31, 2019

Financial Highlights

YTD	March 2019	March 2018		Change
Total Sales	\$60,938,023	\$55,947,006	\$4,991,017	8.9% Increase
Distribution Sales	\$10,969,703	\$10,123,654	\$846,049	8.4% increase
Total Expenses	\$58,124,680	\$53,786,053	\$4,338,627	8.1% Increase
Cost of Power	\$49,144,908	\$44,639,287	\$4,505,621	10.1% Increase
Distribution Expenses	\$5,020,093	\$4,754,817	\$265,276	5.6% Increase
Net Income	\$2,813,343	\$2,160,953	\$652,390	30.2% Increase

Financial Summary as at March 2019

- Total revenue YTD is above the 2019 YTD Budget by \$608K or 1.0%. Electricity & distribution sales are \$1.5M above the YTD budget and this is offset by a shortfall to the YTD budget in CDM (\$909K).
- YTD distribution kWh & kW sales are higher than this time last year (2.9% & 3.4% respectively). Distribution sales are higher than this time last year by \$846K or 8.4%. There have been problems identified with 2018's unbilled revenue that have created a disconnect between consumption/demand and the revenue dollars.

Statistic	Mar 2019	Mar 2018	Degree Variance	%% Variance
Heating Degree Days	2,072.0	1,977.1	94.9	4.80%
Mean Temperature	(5.3)	(4.0)	(1.3)	32.45%

- Note some reductions are being made to CDM revenues & expenses. Some assumptions previously made are being adjusted for due to the Provincial Government's decision to move CDM activities to the IESO. I expect that there may be more adjustments to be made throughout the year.
- Distribution expenses YTD are lower than budget by \$321K or 6.0%. Shortfalls to budget in O&M of \$531K are offset by an overage in Administration of \$235K.
- Net income for the year 2019 is above budget by \$654K YTD and above 2018 by almost the same amount. The current YTD overage to budget is due to higher than expected distribution sales (\$342K) and lower than budgeted OM&A YTD (\$322K).

Fast Facts

- 2019 capital expenditures YTD total \$3.5M or 14.0% of the 2019 Budget and higher than last year.
- March's cost of power was \$16.0M & YTD it is \$50.9M. The FHP reduced the YTD cost of power by \$15.7M.
- Cash levels have increased (\$336K) from December 2018 due to increased cash from operating activities & low CAPEX offset by dividends paid.

KITCHENER-WILMOT HYDRO INC
Statement of Financial Position

	March 31, 2019	March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 21,823,753	\$ 28,567,607
Accounts receivable	17,144,657	16,101,447
Unbilled revenue	22,763,772	20,276,080
Inventory	2,033,045	2,907,161
Prepaid expenses	901,828	682,385
Income taxes receivable	400	30
Other current assets	369,457	244,987
Total current assets	65,036,913	68,779,698
Non-current assets:		
Property, plant and equipment	245,740,869	234,925,709
Intangible assets	1,214,334	1,097,667
Total non-current assets	246,955,203	236,023,376
Total assets	311,992,116	304,803,074
Regulatory assets	7,965,842	9,407,794
Total assets and regulatory assets	\$ 319,957,958	\$ 314,210,868
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,944,385	\$ 24,184,249
Income taxes payable	-	-
Current portion of long-term debt	1,175,869	1,127,112
Current portion customer deposits	10,999,873	10,758,815
Current portion of deferred revenue	641,089	546,578
Total current liabilities	38,761,215	36,616,754
Non-current liabilities:		
Long-term debt	77,569,016	78,744,884
Employee future benefits	5,398,069	5,303,564
Long-term customer deposits	6,089,381	5,881,042
Deferred revenue	32,153,727	28,835,277
Deferred tax liability	2,020,932	1,535,487
Total non-current liabilities	123,231,125	120,300,254
Total liabilities	161,992,340	156,917,009
Shareholders' equity:		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	88,100,762	81,397,476
Total shareholders' equity	151,790,261	145,086,975
Total liabilities and shareholder's equity	313,782,601	302,003,984
Regulatory liabilities	4,888,097	11,103,385
Deferred tax liability - regulatory liabilities	1,287,260	1,103,500
Total equity, liabilities and shareholder's equity	\$ 319,957,958	\$ 314,210,868

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending March 31, 2019

	<u>2019</u>		<u>2018</u>		Budget
	Month of	3 Months to	Month of	3 Months to	% Used
	March	March	March	March	25.00%
Sales Revenue					
Energy Sales	15,565,516	49,144,908	14,299,593	44,639,287	25.59%
Distribution Sales	4,198,294	10,969,703	3,603,197	10,123,654	25.80%
	19,763,810	60,114,611	17,902,790	54,762,941	25.63%
Other Revenue					
Investment Income	48,347	148,627	50,318	139,246	47.08%
Late Payment Penalties	18,489	52,877	18,433	52,313	24.81%
Miscellaneous Income	95,662	281,572	31,949	138,325	23.45%
Deferred Revenue	71,200	213,800	61,800	185,400	24.94%
	233,698	696,876	162,500	515,284	26.94%
Non-Utility Operation Revenue					
Energy Conservation - IESO Programs	(135,292)	106,181	259,533	668,780	2.80%
Affordability Fund Trust Revenue	3,800	20,354	-	-	5.87%
	(131,491)	126,535	259,533	668,780	3.06%
TOTAL REVENUE	19,866,017	60,938,023	18,324,824	55,947,006	25.25%
<u>EXPENSE</u>					
Power Supply Expense	15,565,516	49,144,908	14,299,593	44,639,287	25.59%
Operating Expense					
Operations and Maintenance	738,564	2,666,915	691,667	2,618,708	20.85%
Customer Services	408,861	1,105,603	375,652	1,099,098	24.43%
Administration	539,209	1,247,576	287,221	1,037,011	30.81%
	1,686,634	5,020,093	1,354,540	4,754,817	23.49%
Amortization, Interest and Taxes					
Amortization Expense	790,909	2,352,714	759,545	2,236,430	25.08%
Interest Expense	349,222	1,058,029	355,132	1,062,989	25.88%
Property Taxes	35,800	107,400	35,400	106,200	24.93%
	1,175,931	3,518,143	1,150,077	3,405,618	25.31%
Total Utility Operation Expense	18,428,081	57,683,145	16,804,211	52,799,722	25.37%
Non-Utility Operation Expense					
Energy Conservation - IESO Programs	(135,292)	106,181	259,533	668,780	2.80%
Affordability Fund Trust Expense	3,800	20,354	-	-	6.39%
	(131,491)	126,535	259,533	668,780	3.08%
TOTAL EXPENSES	18,296,590	57,809,680	17,063,744	53,468,503	24.98%
INCOME BEFORE INCOME TAXES & OCI	1,569,427	3,128,343	1,261,080	2,478,503	31.73%
Corporate Income Taxes	105,000	315,000	105,850	317,550	25.79%
INCOME BEFORE OCI	1,464,427	2,813,343	1,155,230	2,160,953	32.57%
NET INCOME	1,464,427	2,813,343	1,155,230	2,160,953	32.57%

KITCHENER-WILMOT HYDRO INC
COMPARATIVE OPERATING REPORT - DISTRIBUTION
For the period ending March 31, 2019

	<u>2019</u>		<u>2018</u>	
	Month of March	3 Months to March	Month of March	3 Months to March
<u>REVENUE</u>				
Distribution Sales				
Residential	2,041,455	5,908,873	2,044,924	5,606,493
General Service	2,068,013	4,795,497	1,472,647	4,263,873
Large User	22,484	70,170	23,660	65,571
Street Lighting	29,069	81,367	27,053	81,153
Embedded Distributor	8,814	29,102	7,731	25,440
MicroFit Generator	4,741	13,570	3,780	11,021
	<u>4,174,577</u>	<u>10,898,579</u>	<u>3,579,795</u>	<u>10,053,552</u>
Standard Supply Service Administration	23,718	71,124	23,402	70,103
	<u>4,198,294</u>	<u>10,969,703</u>	<u>3,603,197</u>	<u>10,123,654</u>
Other Revenue				
Investment Income	48,347	148,627	50,318	139,246
Late Payment Penalties	18,489	52,877	18,433	52,313
Miscellaneous Income	95,662	281,572	31,949	138,325
Deferred Revenue	71,200	213,800	61,800	185,400
	<u>233,698</u>	<u>696,876</u>	<u>162,500</u>	<u>515,284</u>
Non-Utility Operation Revenue				
Energy Conservation - IESO Programs	(135,292)	106,181	259,533	668,780
Affordability Fund Trust Revenue	3,800	20,354	-	-
	<u>(131,491)</u>	<u>126,535</u>	<u>259,533</u>	<u>668,780</u>
TOTAL REVENUE	<u>4,300,501</u>	<u>11,793,115</u>	<u>4,025,230</u>	<u>11,307,718</u>
<u>EXPENSE</u>				
Operating Expense				
Operations and Maintenance	738,564	2,666,915	691,667	2,618,708
Customer Services	408,861	1,105,603	375,652	1,099,098
Administration	539,209	1,247,576	287,221	1,037,011
	<u>1,686,634</u>	<u>5,020,093</u>	<u>1,354,540</u>	<u>4,754,817</u>
Amortization, Interest and Taxes				
Amortization Expense	790,909	2,352,714	759,545	2,236,430
Interest Expense	349,222	1,058,029	355,132	1,062,989
Property Taxes	35,800	107,400	35,400	106,200
	<u>1,175,931</u>	<u>3,518,143</u>	<u>1,150,077</u>	<u>3,405,618</u>
Total Utility Operation Expense	<u>2,862,565</u>	<u>8,538,236</u>	<u>2,504,617</u>	<u>8,160,435</u>
Non-Utility Operation Expense				
Energy Conservation - IESO Programs	(135,292)	106,181	259,533	668,780
Affordability Fund Trust Expense	3,800	20,354	-	-
	<u>(131,491)</u>	<u>126,535</u>	<u>259,533</u>	<u>668,780</u>
TOTAL EXPENSE	<u>2,731,074</u>	<u>8,664,772</u>	<u>2,764,151</u>	<u>8,829,215</u>
INCOME BEFORE INCOME TAXES & OCI	<u>1,569,427</u>	<u>3,128,343</u>	<u>1,261,081</u>	<u>2,478,503</u>
Corporate Income Taxes	105,000	315,000	105,850	317,550
INCOME BEFORE OCI	<u>1,464,427</u>	<u>2,813,343</u>	<u>1,155,231</u>	<u>2,160,953</u>
NET INCOME	<u>1,464,427</u>	<u>2,813,343</u>	<u>1,155,231</u>	<u>2,160,953</u>

KITCHENER-WILMOT HYDRO INC

Statement of Cash Flows

	March 2019	March 2018	December 2018
Cash flows from operating activities:			
Total comprehensive income for the year	2,813,343	2,160,953	11,084,896
Adjustments to reconcile net income to cash provided by (used in) operations:			
Amortization	2,527,602	2,408,280	9,789,672
Amortization of deferred revenue	(213,800)	(185,400)	(781,552)
(Gain) on disposal of property, plant and equipment	(21,254)	-	(128,387)
Current income taxes	315,000	317,550	1,935,227
Income taxes paid	(764,408)	(653,950)	(1,798,360)
Increase (decrease) in employee future benefits	93,300	90,225	91,430
	4,749,783	4,137,658	20,192,926
Change in non-cash operating working capital:			
Accounts receivable	1,387,253	2,065,496	(364,968)
Unbilled revenue	(641,434)	1,577,974	(268,284)
Inventory	(84,251)	(697,833)	260,535
Prepaid expenses	142,919	126,640	(235,722)
Other current assets	(369,457)	(244,987)	-
Accounts payable and accrued liabilities	3,290,339	(1,846,709)	(3,376,913)
Other current liabilities	2,662,715	1,935,270	(391,877)
Change in regulatory assets	(600,022)	665,515	2,707,490
Change in regulatory liabilities	(2,062,038)	82,350	(3,911,369)
Change in deferred tax	-	-	485,445
Net cash from operating activities	8,475,808	7,801,373	15,097,263
Cash flows from investing activities:			
Proceeds on disposals of property, plant and equipment	21,254	-	136,327
Purchase of property, plant and equipment	(3,496,535)	(3,266,041)	(20,050,041)
Purchase of intangible assets	(40,882)	(60,383)	(587,728)
Net cash used in investing activities	(3,516,163)	(3,326,424)	(20,501,441)
Cash flows from financing activities:			
Net change in customer deposits	(46,895)	(4,639)	250,596
Dividends paid out	(4,034,000)	(4,570,800)	(5,570,800)
Change in contributed capital received	(542,589)	(97,255)	4,573,736
Repayment of long-term debt	-	-	(1,127,112)
Net cash from financing activities	(4,623,484)	(4,672,694)	(1,873,580)
Change in cash and cash equivalents	336,161	(197,745)	(7,277,759)
Cash and cash equivalents, beginning of year	21,487,593	28,765,352	28,765,352
Cash and cash equivalents, end of year	21,823,753	28,567,607	21,487,593

KITCHENER - WILMOT HYDRO INC.
CAPITAL EXPENDITURES REPORT
March 31, 2019

BUDGET CATEGORY	DESCRIPTION	COSTS THIS MONTH	COSTS Y.T.D.	2019 BUDGET	% BUDGET USED	UNEXPENDED BUDGET
01-02	Land & Land Easements	\$0	\$0	\$0	0.0%	\$0
01-03	Service Centre	\$6,215	\$4,302	\$750,000	0.6%	\$745,698
	TOTAL FOR BUDGET CATEGORY 01	\$6,215	\$4,302	\$750,000	0.6%	\$745,698
02-02	H.T. Stations Buildings	\$0	\$0	\$0	0.0%	\$0
02-08	H.T. Stations Equipment	\$105,094	\$142,947	\$1,625,000	8.8%	\$1,482,053
	TOTAL FOR BUDGET CATEGORY 02	\$105,094	\$142,947	\$1,625,000	8.8%	\$1,482,053
03-01	O/H - Poles, Towers & Fixtures	\$299,928	\$668,368	\$3,341,520	20.0%	\$2,673,152
03-02	O/H - Conductors & Devices	\$304,593	\$761,076	\$2,350,440	32.4%	\$1,589,364
03-03	O/H - Services	\$26,851	\$84,883	\$495,040	17.1%	\$410,157
	TOTAL FOR BUDGET CATEGORY 03	\$631,372	\$1,514,327	\$6,187,000	24.5%	\$4,672,673
04-01	U/G - Conduit & Ductwork	\$147,736	\$293,820	\$1,920,000	15.3%	\$1,626,180
04-02	U/G - Conductors & Cable	\$111,144	\$509,594	\$2,335,000	21.8%	\$1,825,406
04-03	U/G - Services	\$56,740	\$295,562	\$2,245,000	13.2%	\$1,949,438
	TOTAL FOR BUDGET CATEGORY 04	\$315,620	\$1,098,976	\$6,500,000	16.9%	\$5,401,024
05-01	O/H Transformers	\$40,965	\$194,956	\$1,249,100	15.6%	\$1,054,144
05-02	Network - U/G Transformers	\$95,470	\$295,182	\$1,874,900	15.7%	\$1,579,718
	TOTAL FOR BUDGET CATEGORY 05	\$136,435	\$490,138	\$3,124,000	15.7%	\$2,633,862
07-01	Meters	\$15,488	\$40,636	\$320,000	12.7%	\$279,364
07-02	Smart Meters	\$3,420	\$25,416	\$320,000	7.9%	\$294,584
	TOTAL FOR BUDGET CATEGORY 07	\$18,908	\$66,052	\$640,000	10.3%	\$573,948
09-01	Office Equipment	\$6,295	\$1,737	\$70,000	2.5%	\$68,263
	TOTAL FOR BUDGET CATEGORY 09	\$6,295	\$1,737	\$70,000	2.5%	\$68,263
10-01	Information Systems - Computer Hardware	\$0	\$20,538	\$205,000	10.0%	\$184,462
10-02	Information Systems - Computer Software	\$23,760	\$40,882	\$4,985,000	0.8%	\$4,944,118
	TOTAL FOR BUDGET CATEGORY 10	\$23,760	\$61,420	\$5,190,000	1.2%	\$5,128,580
11-01	Power Operated Equipment	\$0	\$0	\$10,000	0.0%	\$10,000
11-02	Vehicles < 3 Tons	\$0	\$0	\$135,000	0.0%	\$135,000
11-03	Vehicles > 3 Tons	\$0	\$109,078	\$765,000	14.3%	\$655,922
11-04	Trailers	\$0	\$0	\$65,000	0.0%	\$65,000
	TOTAL FOR BUDGET CATEGORY 11	\$0	\$109,078	\$975,000	11.2%	\$865,922
12-00	Tools, Shop & Garage Equipment	\$5,590	\$24,704	\$67,200	36.8%	\$42,496
12-01	Measurement & Testing Equipment	\$10,799	\$10,799	\$47,800	22.6%	\$37,001
12-03	Communication Equipment	\$2,576	\$12,937	\$25,000	51.7%	\$12,063
12-04	Stores Equipment	\$0	\$0	\$0	0.0%	\$0
12-02	Safety and Miscellaneous Equipment	\$0	\$0	\$0	0.0%	\$0
	TOTAL FOR BUDGET CATEGORY 12	\$18,965	\$48,440	\$140,000	34.6%	\$91,560
OPA	Deferred Renewable Generation SW Capital	\$0	\$0	\$0	0.0%	\$0
TOTAL CAPITAL EXPENDITURES NET OF ADJUSTMENTS		\$1,262,665	\$3,537,417	\$25,201,000	14.0%	\$21,663,583

Date: June 6, 2019
To: Jerry Van Ooteghem, President & CEO
From: Margaret Nanninga, Vice-President Finance & CFO
Re: Finance Report for the period ending April 30, 2019

Financial Highlights

YTD	April 2019	April 2018		Change
Total Sales	\$79,310,367	\$77,915,037	\$1,395,330	1.8% Increase
Distribution Sales	\$14,464,065	\$13,506,547	\$957,518	7.1% increase
Total Expenses	\$75,701,976	\$75,226,593	\$475,383	0.6% Increase
Cost of Power	\$63,631,799	\$62,306,997	\$1,324,802	2.1% Increase
Distribution Expenses	\$6,636,204	\$6,712,807	(\$76,603)	-1.1% Decrease
Net Income	\$3,608,391	\$2,688,444	\$919,947	34.2% Increase

Financial Summary as at April 2019

- Total revenue YTD is below the 2019 YTD Budget by \$1.1M or 1.4%. Electricity & distribution sales are \$102K below the YTD budget and this is offset by a shortfall to the YTD budget in CDM (\$1.0M).
- YTD distribution kWh & kW sales are higher than this time last year (2.0% & 3.6% respectively). Distribution sales are higher than this time last year by \$958K or 7.1%.
- Note some reductions are being made to CDM revenues & expenses. Some assumptions previously made are being adjusted for due to the Provincial Government's decision to move CDM activities to the IESO. I expect that there may be more adjustments to be made throughout the year.
- Distribution expenses YTD are lower than budget by \$486K or 6.8%. Shortfalls to budget in O&M of \$697K are offset by a timing overage in Administration of \$220K.
- Net income for the year 2019 is above budget by \$729K YTD and above 2018 by \$920K. The current YTD overage to budget is due to higher than expected distribution sales (\$313K) and lower than budgeted OM&A YTD (\$486K).

Fast Facts

- 2019 capital expenditures YTD total \$5.0M or 19.9% of the 2019 Budget and higher than last year.
- April's cost of power was \$14.7M & YTD it is \$65.6M. The FHP reduced the YTD cost of power by \$20.9M.
- Cash levels have decreased (\$3.5M) from December 2018 due to increased cash from operating activities & low CAPEX offset by dividends paid.



Margaret Nanninga, MBA, CPA, CGA
Vice-President Finance & CFO

KITCHENER-WILMOT HYDRO INC
Statement of Financial Position

	April 30, 2019	April 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 17,995,939	\$ 23,009,852
Accounts receivable	16,820,873	19,618,212
Unbilled revenue	20,545,496	20,947,017
Inventory	2,124,328	2,852,795
Prepaid expenses	1,023,528	690,966
Income taxes receivable	400	30
Other current assets	322,612	813,450
Total current assets	58,833,175	67,932,322
Non-current assets:		
Property, plant and equipment	246,417,439	235,603,411
Intangible assets	1,182,425	1,060,282
Total non-current assets	247,599,865	236,663,693
Total assets	306,433,040	304,596,015
Regulatory assets	9,243,142	11,851,899
Total assets and regulatory assets	\$ 315,676,182	\$ 316,447,914
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,868,468	\$ 25,722,510
Current portion of long-term debt	1,175,869	1,127,112
Current portion customer deposits	10,576,381	10,820,610
Current portion of deferred revenue	569,889	484,778
Total current liabilities	34,190,607	38,155,010
Non-current liabilities:		
Long-term debt	77,569,016	78,744,884
Employee future benefits	5,429,169	5,333,639
Long-term customer deposits	5,980,739	5,911,400
Deferred revenue	32,466,777	28,990,059
Deferred tax liability	2,020,932	1,535,487
Total non-current liabilities	123,466,633	120,515,469
Total liabilities	157,657,240	158,670,479
Shareholders' equity:		
Share capital - common shares	63,689,499	63,689,499
Retained earnings	88,895,810	81,924,967
Total shareholders' equity	152,585,309	145,614,466
Total liabilities and shareholder's equity	310,242,548	304,284,945
Regulatory liabilities	4,146,373	11,059,469
Deferred tax liability - regulatory liabilities	1,287,260	1,103,500
Total equity, liabilities and shareholder's equity	\$ 315,676,182	\$ 316,447,914

KITCHENER-WILMOT HYDRO INC
STATEMENT OF OPERATIONS
For the period ending April 30, 2019

	<u>2019</u>		<u>2018</u>		Budget
	Month of	4 Months to	Month of	4 Months to	% Used
	April	April	April	April	33.33%
Sales Revenue					
Energy Sales	14,486,891	63,631,799	17,667,710	62,306,997	33.13%
Distribution Sales	3,494,362	14,464,065	3,382,893	13,506,547	34.03%
	<u>17,981,253</u>	<u>78,095,865</u>	<u>21,050,603</u>	<u>75,813,545</u>	<u>33.29%</u>
Other Revenue					
Investment Income	40,735	189,362	48,667	187,913	59.98%
Late Payment Penalties	21,038	73,915	20,063	72,376	34.69%
Miscellaneous Income	51,783	333,356	216,620	354,945	27.76%
Deferred Revenue	71,200	285,000	61,800	247,200	33.25%
	<u>184,757</u>	<u>881,633</u>	<u>347,150</u>	<u>862,434</u>	<u>34.08%</u>
Non-Utility Operation Revenue					
Energy Conservation - IESO Programs	192,395	298,576	570,278	1,239,058	7.87%
Affordability Fund Trust Revenue	13,938	34,293	-	-	9.89%
	<u>206,334</u>	<u>332,869</u>	<u>570,278</u>	<u>1,239,058</u>	<u>8.04%</u>
TOTAL REVENUE	<u>18,372,344</u>	<u>79,310,367</u>	<u>21,968,031</u>	<u>77,915,037</u>	<u>32.87%</u>
<u>EXPENSE</u>					
Power Supply Expense	14,486,891	63,631,799	17,667,710	62,306,997	33.13%
Operating Expense					
Operations and Maintenance	899,944	3,566,858	1,078,763	3,697,471	27.88%
Customer Services	393,454	1,499,057	414,544	1,513,643	33.12%
Administration	322,712	1,570,289	464,684	1,501,694	38.78%
	<u>1,616,111</u>	<u>6,636,204</u>	<u>1,957,991</u>	<u>6,712,807</u>	<u>31.06%</u>
Amortization, Interest and Taxes					
Amortization Expense	781,311	3,134,025	745,374	2,981,804	33.41%
Interest Expense	345,850	1,403,879	357,938	1,420,927	34.34%
Property Taxes	35,800	143,200	35,400	141,600	33.24%
	<u>1,162,961</u>	<u>4,681,104</u>	<u>1,138,712</u>	<u>4,544,331</u>	<u>33.68%</u>
Total Utility Operation Expense	<u>17,265,962</u>	<u>74,949,107</u>	<u>20,764,413</u>	<u>73,564,135</u>	<u>32.97%</u>
Non-Utility Operation Expense					
Energy Conservation - IESO Programs	192,395	298,576	570,278	1,239,058	7.87%
Affordability Fund Trust Expense	13,938	34,293	-	-	10.77%
	<u>206,334</u>	<u>332,869</u>	<u>570,278</u>	<u>1,239,058</u>	<u>8.09%</u>
TOTAL EXPENSES	<u>17,472,296</u>	<u>75,281,976</u>	<u>21,334,691</u>	<u>74,803,193</u>	<u>32.52%</u>
INCOME BEFORE INCOME TAXES & OCI	<u>900,048</u>	<u>4,028,391</u>	<u>633,341</u>	<u>3,111,844</u>	<u>40.85%</u>
Corporate Income Taxes	105,000	420,000	105,850	423,400	34.39%
INCOME BEFORE OCI	<u>795,048</u>	<u>3,608,391</u>	<u>527,491</u>	<u>2,688,444</u>	<u>41.77%</u>
NET INCOME	<u>795,048</u>	<u>3,608,391</u>	<u>527,491</u>	<u>2,688,444</u>	<u>41.77%</u>

KITCHENER-WILMOT HYDRO INC
COMPARATIVE OPERATING REPORT - DISTRIBUTION
For the period ending April 30, 2019

	<u>2019</u>		<u>2018</u>	
	Month of April	4 Months to April	Month of April	4 Months to April
<u>REVENUE</u>				
Distribution Sales				
Residential	1,963,341	7,872,215	1,899,259	7,505,752
General Service	1,443,929	6,239,426	1,399,312	5,663,185
Large User	23,568	93,738	22,360	87,932
Street Lighting	28,163	109,531	27,053	108,206
Embedded Distributor	7,224	36,325	7,682	33,122
MicroFit Generator	4,390	17,960	3,785	14,807
	3,470,615	14,369,195	3,359,452	13,413,004
Standard Supply Service Administration	23,747	94,871	23,441	93,544
	3,494,362	14,464,065	3,382,893	13,506,547
Other Revenue				
Investment Income	40,735	189,362	48,667	187,913
Late Payment Penalties	21,038	73,915	20,063	72,376
Miscellaneous Income	51,783	333,356	216,620	354,945
Deferred Revenue	71,200	285,000	61,800	247,200
	184,757	881,633	347,150	862,434
Non-Utility Operation Revenue				
Energy Conservation - IESO Programs	192,395	298,576	570,278	1,239,058
Affordability Fund Trust Revenue	13,938	34,293	-	-
	206,334	332,869	570,278	1,239,058
TOTAL REVENUE	3,885,453	15,678,567	4,300,321	15,608,039
<u>EXPENSE</u>				
Operating Expense				
Operations and Maintenance	899,944	3,566,858	1,078,763	3,697,471
Customer Services	393,454	1,499,057	414,544	1,513,643
Administration	322,712	1,570,289	464,684	1,501,694
	1,616,111	6,636,204	1,957,991	6,712,807
Amortization, Interest and Taxes				
Amortization Expense	781,311	3,134,025	745,374	2,981,804
Interest Expense	345,850	1,403,879	357,938	1,420,927
Property Taxes	35,800	143,200	35,400	141,600
	1,162,961	4,681,104	1,138,712	4,544,331
Total Utility Operation Expense	2,779,071	11,317,308	3,096,703	11,257,138
Non-Utility Operation Expense				
Energy Conservation - IESO Programs	192,395	298,576	570,278	1,239,058
Affordability Fund Trust Expense	13,938	34,293	-	-
	206,334	332,869	570,278	1,239,058
TOTAL EXPENSE	2,985,405	11,650,177	3,666,981	12,496,196
INCOME BEFORE INCOME TAXES & OCI	900,048	4,028,391	633,341	3,111,843
Corporate Income Taxes	105,000	420,000	105,850	423,400
INCOME BEFORE OCI	795,048	3,608,391	527,491	2,688,443
NET INCOME	795,048	3,608,391	527,491	2,688,443

KITCHENER-WILMOT HYDRO INC

Statement of Cash Flows

	April 2019	April 2018	December 2018
Cash flows from operating activities:			
Total comprehensive income for the year	3,608,391	2,688,444	11,084,896
Adjustments to reconcile net income to cash provided by (used in) operations:			
Amortization	3,364,561	3,208,344	9,789,672
Amortization of deferred revenue	(285,000)	(247,200)	(781,552)
(Gain) on disposal of property, plant and equipment	(21,254)	-	(128,387)
Current income taxes	420,000	423,400	1,935,227
Income taxes paid	(869,408)	(759,800)	(1,798,360)
Increase (decrease) in employee future benefits	124,400	120,300	91,430
	6,341,690	5,433,487	20,192,926
Change in non-cash operating working capital:			
Accounts receivable	1,711,038	(1,451,269)	(364,968)
Unbilled revenue	1,576,843	907,037	(268,284)
Inventory	(175,534)	(643,466)	260,535
Prepaid expenses	21,219	118,059	(235,722)
Other current assets	(322,612)	(813,450)	-
Accounts payable and accrued liabilities	(785,578)	(308,449)	(3,376,913)
Other current liabilities	2,168,024	1,935,265	(391,877)
Change in regulatory assets	(1,877,322)	(1,778,590)	2,707,490
Change in regulatory liabilities	(2,803,762)	38,435	(3,911,369)
Change in deferred tax	-	-	485,445
Net cash from operating activities	5,854,007	3,437,059	15,097,263
Cash flows from investing activities:			
Proceeds on disposals of property, plant and equipment	21,254	-	136,327
Purchase of property, plant and equipment	(4,973,383)	(4,706,422)	(20,050,041)
Purchase of intangible assets	(45,655)	(60,383)	(587,728)
Net cash used in investing activities	(4,997,784)	(4,766,805)	(20,501,441)
Cash flows from financing activities:			
Net change in customer deposits	(155,538)	25,719	250,596
Dividends paid out	(4,034,000)	(4,570,800)	(5,570,800)
Change in contributed capital received	(158,339)	119,327	4,573,736
Repayment of long-term debt	-	-	(1,127,112)
Net cash from financing activities	(4,347,876)	(4,425,754)	(1,873,580)
Change in cash and cash equivalents	(3,491,653)	(5,755,500)	(7,277,759)
Cash and cash equivalents, beginning of year	21,487,593	28,765,352	28,765,352
Cash and cash equivalents, end of year	17,995,939	23,009,852	21,487,593

KITCHENER - WILMOT HYDRO INC.
CAPITAL EXPENDITURES REPORT
April 30, 2019

BUDGET CATEGORY	DESCRIPTION	COSTS THIS MONTH	COSTS Y.T.D.	2019 BUDGET	% BUDGET USED	UNEXPENDED BUDGET
01-02	Land & Land Easements	\$0	\$0	\$0	0.0%	\$0
01-03	Service Centre	\$22,868	\$27,170	\$750,000	3.6%	\$722,830
	TOTAL FOR BUDGET CATEGORY 01	\$22,868	\$27,170	\$750,000	3.6%	\$722,830
02-02	H.T. Stations Buildings	\$0	\$0	\$0	0.0%	\$0
02-08	H.T. Stations Equipment	\$136,030	\$278,976	\$1,625,000	17.2%	\$1,346,024
	TOTAL FOR BUDGET CATEGORY 02	\$136,030	\$278,976	\$1,625,000	17.2%	\$1,346,024
03-01	O/H - Poles, Towers & Fixtures	\$223,630	\$891,999	\$3,341,520	26.7%	\$2,449,521
03-02	O/H - Conductors & Devices	\$212,089	\$973,165	\$2,350,440	41.4%	\$1,377,275
03-03	O/H - Services	\$103,723	\$188,606	\$495,040	38.1%	\$306,434
	TOTAL FOR BUDGET CATEGORY 03	\$539,442	\$2,053,770	\$6,187,000	33.2%	\$4,133,230
04-01	U/G - Conduit & Ductwork	\$255,038	\$548,858	\$1,920,000	28.6%	\$1,371,142
04-02	U/G - Conductors & Cable	\$126,476	\$636,070	\$2,335,000	27.2%	\$1,698,930
04-03	U/G - Services	\$131,482	\$427,044	\$2,245,000	19.0%	\$1,817,956
	TOTAL FOR BUDGET CATEGORY 04	\$512,996	\$1,611,972	\$6,500,000	24.8%	\$4,888,028
05-01	O/H Transformers	\$50,632	\$245,588	\$1,249,100	19.7%	\$1,003,512
05-02	Network - U/G Transformers	\$146,190	\$441,374	\$1,874,900	23.5%	\$1,433,526
	TOTAL FOR BUDGET CATEGORY 05	\$196,822	\$686,962	\$3,124,000	22.0%	\$2,437,038
07-01	Meters	\$13,788	\$54,423	\$320,000	17.0%	\$265,577
07-02	Smart Meters	\$40,084	\$65,500	\$320,000	20.5%	\$254,500
	TOTAL FOR BUDGET CATEGORY 07	\$53,872	\$119,923	\$640,000	18.7%	\$520,077
09-01	Office Equipment	\$1,785	\$3,521	\$70,000	5.0%	\$66,479
	TOTAL FOR BUDGET CATEGORY 09	\$1,785	\$3,521	\$70,000	5.0%	\$66,479
10-01	Information Systems - Computer Hardware	\$10,018	\$30,555	\$205,000	14.9%	\$174,445
10-02	Information Systems - Computer Software	\$4,773	\$45,655	\$4,985,000	0.9%	\$4,939,345
	TOTAL FOR BUDGET CATEGORY 10	\$14,791	\$76,210	\$5,190,000	1.5%	\$5,113,790
11-01	Power Operated Equipment	\$0	\$0	\$10,000	0.0%	\$10,000
11-02	Vehicles < 3 Tons	\$0	\$0	\$135,000	0.0%	\$135,000
11-03	Vehicles > 3 Tons	\$0	\$109,079	\$765,000	14.3%	\$655,921
11-04	Trailers	\$0	\$0	\$65,000	0.0%	\$65,000
	TOTAL FOR BUDGET CATEGORY 11	\$0	\$109,079	\$975,000	11.2%	\$865,921
12-00	Tools, Shop & Garage Equipment	\$2,704	\$27,408	\$67,200	40.8%	\$39,792
12-01	Measurement & Testing Equipment	\$0	\$10,799	\$47,800	22.6%	\$37,001
12-03	Communication Equipment	\$311	\$13,248	\$25,000	53.0%	\$11,752
12-04	Stores Equipment	\$0	\$0	\$0	0.0%	\$0
12-02	Safety and Miscellaneous Equipment	\$0	\$0	\$0	0.0%	\$0
	TOTAL FOR BUDGET CATEGORY 12	\$3,015	\$51,455	\$140,000	36.8%	\$88,545
OPA	Deferred Renewable Generation SW Capital	\$0	\$0	\$0	0.0%	\$0
TOTAL CAPITAL EXPENDITURES NET OF ADJUSTMENTS		\$1,481,622	\$5,019,038	\$25,201,000	19.9%	\$20,181,962

Date: May 28, 2019
To: Margaret Nanninga, Vice-President Finance & CFO
From: Liz Muir, Manager of Regulatory Affairs
Re: Regulatory Report for the period ending April 30, 2019

Cost of Service Update

The Application is complete and has been submitted. In summary, this is what was applied for:

Cost of Capital

Regulated Return on Capital	14,404,195	6.02%
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Rate Base and Capital Expenditures

Rate Base	239,367,774
Working Capital	207,105,558
Working Capital Allowance	15,532,917

Operating Expenses

Depreciation	11,013,500
Taxes/PILs	925,875
OM&A	21,990,700

Revenue Requirement

Service Revenue Requirement	48,771,170
Other Revenues	3,243,900
Base Revenue Requirement	45,527,270
Grossed up Revenue Deficiency	3,472,948

The proposed bill impacts are:

			A		Total Bill	
		\$	%	\$	%	
Residential	kwh	\$ 2.24	9.89%	\$ 6.99	7.23%	
GS<50	kwh	\$ 6.01	11.06%	\$ 20.55	8.35%	
GS>50	kw	\$ 64.64	13.78%	\$ 71.31	2.09%	
Large Use	kw	\$ 2,064.24	8.11%	\$ 24,870.83	7.09%	
USL	kwh	\$ 1.94	5.35%	\$ 18.42	7.59%	
Street Light	kw	\$ 1.57	1.43%	\$ (1.84)	-0.39%	
Embedded Distributor	kw	\$ 3,815.28	44.74%	\$ 9,510.86	49.88%	

Excluding rate riders, bill impacts are:

	\$	%
Residential	1.74	7.7%
GS<50	4.01	7.4%
GS>50	45.01	9.6%
Large Use	1,878.39	7.4%
USL	1.74	4.8%
Street Light	4.46	4.0%
Embedded Distributor	3,703.32	43.4%

Proposed Distribution Rates are:

		Current		Proposed	
		Fixed	Variable	Fixed	Variable
Residential	kWh	\$ 22.66	\$ -	\$ 24.40	\$ -
GS<50	kWh	\$ 27.76	\$ 0.0133	\$ 29.77	\$ 0.0143
GS>50	kW	\$ 183.23	\$ 4.7638	\$ 201.56	\$ 5.2084
Large Use	kW	\$ 17,188.81	\$ 1.5736	\$ 18,636.70	\$ 1.6556
USL	kWh	\$ 7.43	\$ 0.0144	\$ 7.77	\$ 0.0151
Street Light	kW	\$ 0.75	\$ 5.0131	\$ 0.76	\$ 5.5069
Embedded Distributor	kW	\$ -	\$ 2.3687	\$ -	\$ 3.3974

OEB Updates

Retail Service Charges (EB-2015-0304)

On February 14, 2019, the OEB issued its Decision on Retail Service charges. Effective May 1, 2019, Retail Service charges doubled and will increase each year by the rate of inflation with no stretch factor. A new service charge is allowed – \$2.00 for a Notice of Switch letter. Retailer variance accounts 1518 and 1548 will no longer be required after the next rebasing application as the OEB sees no merit in continuing to track variances past rebasing.

Accounting guidance was issued with this Decision. There are two scenarios – distributors that use 1518 and 1548, and those who do not. Since KWHI has used 1518 and 1548, it will continue to use these accounts as established until January 1, 2020, at which time they can be discontinued. Recovery of the balances of 1518 and 1548 may be requested at the next IRM Application.

The new Retail Service Charges are:

Retail Service Charge¹	Amount
One-time charge, per retailer, to establish the service agreement between the distributor and the retailer ²	\$100.00
Monthly fixed charge, per retailer	\$40.00
Monthly variable charge, per customer, per retailer	\$1.00
Distributor-consolidated billing monthly charge, per customer, per retailer	\$0.60
Retailer-consolidated billing monthly credit, per customer, per retailer	\$(0.60)
Service Transaction Requests – Request fee, per request, applied to the requesting party	\$0.50
Service Transaction Requests – Processing fee, per request, applied to the requesting party	\$1.00
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction system, applied to the requesting party	No Charge (Up to twice a year) \$4.00 (More than twice a year, per request, plus incremental delivery costs)
Notice of switch letter charge, per letter	\$2.00

Customer Service Rules (EB-2017-0183)

On March 14th, the OEB issued final amendments to the Distribution System Code, Standard Supply Service Code, Unit Sub Metering Code and the Gas Distribution Access Rule to incorporate Phase 1 changes to Customer Service rules. The following is a listing of the changes that will affect KWHI:

Billing and Payment

- The minimum payment period is increasing to 20 days (up from 16 days) before late payment interest charges can be accrued (effective March 2020)
-

Equal Billing and Equal Payment Plans

- Distributors will be required to communicate the availability of an equal monthly billing plan to eligible customers at least twice in a 12-month period

Non-Payment of Account Charges

- Charges relating to reconnection of customers who had been disconnected for non-payment to be renamed “Reconnection.” (was “Disconnect/Reconnect at the meter”)
- Elimination of “Collection of Account Charge” (currently \$30) effective July 2019

Consumer Complaints Response Process

- To ensure that consumer complaints are handled in a consistent and timely manner, the Distribution System Code has added a section to codify on the response process and provide timelines for responding to complaints (effective July 2019)

Disconnection Notice Period and Timing

- Distributors must provide customers with an “account overdue notice” at least seven calendar days before the notice of disconnection is issued
- The account overdue notice must be delivered through the customer’s preferred method of communication or mail or other method determined to be effective by the distributor
- Before disconnecting a customer’s service for reasons of non-payment, distributors must provide the customer with 14 calendar days’ notice (currently 10 calendar days)
- Where a disconnection notice is sent by mail, the disconnection notice will be deemed to have been received by the customer on the fifth calendar day (currently the third business day) after the date on which the notice was printed by the distributor.
- Distributors must disconnect services within 14 calendar days (currently 11 calendar days) after the applicable minimum notice period
- Distributors cannot disconnect a customer on a day when the distributor is closed to the public or the day before the distributor is closed to the public (effective March 2020)

Security Deposits

- Security deposits for a small business customer can be held for 3 years (currently 5 years) if there is a good payment history (effective March 1, 2020)

The elimination of the Collection of Account Charge results in lost revenue to the LDC. No deferral/variance account will be set up unless an LDC requests one in its next rate application.

No deferral/variance account will be allowed for implementation costs of the Customer Service Rules because the OEB believes the benefits to the LDC will outweigh the costs.

Phase 2 of the Customer Service Rules review was launched in October 2018 and will cover the following topics:

Opening and closing of accounts

Billing errors

Service charges relating to management of customer accounts

LEAP EFA Review (EB-2018-0268)

The OEB is reviewing the LEAP program and has completed several surveys with both LDCs and customers. There was a webinar scheduled in February to review the results. KWHI did not attend and the webinar was not posted on-line.

Corporate Governance Guidance (EB-2014-0255)

On December 20th, the OEB issued its report on Corporate Governance. Most of the best practices have already been implemented by KWHI and was being included in the 2020 Cost of Service Application.

Prescribed Interest Rates

On March 15th, the OEB issued its prescribed interest rates for deferral and variance accounts for Q2 2019. The rate for Q2 is 2.18%, down from 2.45%. The interest rates for each quarter and compared to last year are as follows:

	2018	2019
Q1	1.50%	2.45%
Q2	1.89%	2.18%
Q3	1.89%	
Q4	2.17%	

Also, on March 15th, the OEB issued its prescribed interest rates for CWIP for Q2 2019. The CWIP rate is used for the Post-Retirement Variance Account. The rate for Q2 is 3.39%, down from 3.82%. The interest rates for each quarter and compared to last year are as follows:

	2018	2019
Q1	2.99%	3.82%
Q2	3.35%	3.39%
Q3	3.35%	
Q4	3.35%	

OEB Performance Standards

The Ontario Energy Board (OEB) has adopted new performance standards for processing rate applications to take effect April 1, 2019. The new standards better reflect the time required by the OEB to process an application and will provide greater certainty and predictability to applicants.

The new performance standards will measure three indicators:

- Time elapsed from issuance of completeness letter to the issuance of Procedural Order No. 1 (PO#1)
- Time elapsed from close of the record to the issuance of an OEB decision
- Total cycle time – from issuance of completeness letter to final decision

The OEB conducts a preliminary review of rate applications to ensure the information presented is complete, accurate and consistent with the filing requirements. The OEB will not commence any proceeding to review an application until the OEB determines that any deficiencies have been addressed. Going forward, the OEB will strive to communicate the results of the preliminary review in 10 business days.

The table below sets out the new performance standards for rate-related applications:

	Elapsed Calendar Days		
	PO#1	Decision	Total Cycle Time
Cost-Based >\$500M Revenue Requirement	60	90	355
Cost-Based <\$500M Revenue Requirement	35	60	230
Complex Incentive Rate-setting Mechanism (or other stand-alone request)	35	60	165
Accounting Order (or other stand-alone request)	35	30	125

Based on the performance standards, KWHI's Cost of Service timeline will look like this:

		Actual	Expected	Difference
Application filed	-14	April-30-19	April-26-19	4
Letter acknowledging receipt of application	-10	May-01-19	April-30-19	1
Completeness letter issued	0	May-10-19	May-10-19	0
Notice of Application issued	10	May-16-19	May-20-19	-4
Affidavits of Service received	15	May-22-19	May-25-19	-3
Community meeting	25		June-04-19	
Interventions received	25	June-03-19	June-04-19	-3
Procedural Order No. 1 issued	35		June-14-19	
Interrogatories issued	50		June-29-19	
Applicant's responses to interrogatories received	70		July-19-19	
Issues list process	80		July-29-19	
Settlement Conference	90		August-08-19	
Settlement proposal filed with OEB or letter reporting no settlement	115		September-02-19	
OEB staff submission on settlement proposal, if any	122		September-09-19	
Oral Hearing (including presentation of settlement)	130		September-17-19	
Applicant's written argument-in-chief received	140		September-27-19	
OEB staff submission received	150		October-07-19	
Intervenor arguments received	155		October-12-19	
Applicant's written reply argument received	170		October-27-19	
Decision issued	230		December-26-19	
Draft Rate Order and Tariff Sheets received, if necessary	250		January-15-20	
Intervenor and OEB staff comments on Draft Rate Order and Tariff Sheets received	257		January-22-20	
Applicant's responses to comments on Draft Rate Order and Tariff Sheets received	264		January-29-20	
Issue Final Rate Order and Tariff Sheets	275		February-09-20	

Note that KWHI informed the OEB about the Cost of Service filing for it to start the process for the Community Meeting. As of this date, nothing has been received from the OEB; however, the meeting will probably not be held by June 4th - if at all.

Accounting Guidance for 1588 & 1589 RSVA Power & RSVA Global Adjustment

This guidance was issued February 21st, 2019 effective January 1, 2019. It must be fully implemented by August 31, 2019.

Due to the Cost of Service Application, KWHI was not able to attend the training sessions. The Regulatory Department has been working through the guidance as adjusting entries may need to be made. In addition, I have requested a change to the settlements report as we have to settle with the IESO each month going forward, rather than beginning the reconciliation process three months later (which is the current practice).

No accounting entries will be made until the impacts are understood. It is anticipated that this issue will come up in the Interrogatories as the guidance **may** affect accounts 1588 and 1589 that are requested for disposition in the Cost of Service.

Summary of IRM Decisions

Most IRM Decisions for 2019 rates came in December 2018 and March 2019. Again, the major issue for filers is the GA and power variance. In general, whether disposition of Group 1 accounts was requested or not, the OEB reviewed the balances of the Group 1 accounts for reasonability. As a result of this review, some distributors withdrew the request to dispose of the balances, some distributors had audits or reviews ordered. Some distributors requested disposition of the accounts, where previously they had not requested disposition. In total, about seventeen distributors still must review or audit their balances in 1588 and 1589 before disposition can occur.

- Two distributors requested disposition periods greater than one year – one because the balance accumulated over more than a year, and one due to rate mitigation. Only the rate mitigation reason was allowed.
- Sixteen distributors applied to dispose of LRAM and one request was withdrawn. All requests were approved as the amounts were determined by IESO reports. In one case, the streetlight lost revenue was approved, not based on an IESO report, but from billing data.
- One distributor disposed on 1576, a CGAAP/IFRS conversion variance account, on an interim basis because they just merged and won't rebase for 10 years.
- One distributor applied for a deferral account for lost revenues as a result of the new customer service rules that remove the Collection of Account charge. The account was allowed, not because of financial need but, since the distributor proved that there were no offsetting savings. The Decision stated that generally this account would not be allowed.
- One distributor applied for Group 1 amounts to be disposed on a final basis but did not give reasons. This was not allowed.
- Two distributors applied for a z factor as a result of the May 4th windstorm. This was a major event for KWHI. In both cases the claim was approved, however, in both cases the OEB stated:
“As this is the second z-factor claim by LDC within 5 years, the OEB needs assurance that the distributor is updating its risk assessment and planning accordingly, given the weather in its service area”
- Two distributors filed Incremental Capital Mechanism (ICM) requests – one as a separate application, and one not. The ICM requests were for four discrete projects. Three were allowed and one denied.

Not all rate Decisions have been made for 2019.

OEB Enforcement Proceedings

- Oakville
 - Embedded generation was not calculated correctly and \$322,000 was over collected from its customers. A fine of \$8,000 was imposed.
- InnPower
 - Out of compliance with ARC. Affiliate agreements are not in compliance with the ARC. Affiliate transactions were incremental costs, not fully allocated costs. As a result, \$67,000 will be refunded to customers. A fine of \$25,000 was imposed.

Electricity Rates

On April 17th, the OEB issued the new RPP rates effective May 1st, 2019.

	May-19	Without FHP	May-18	Without FHP	Jul-17	Nov-16
On Peak	13.4	19.9	13.2	20.3	13.2	18.0
Mid Peak	9.4	14.3	9.4	14.6	9.3	13.2
Off Peak	6.5	9.8	6.5	10.0	6.5	7.7
Tier 1	7.7	11.6	7.7	11.8	7.7	10.3
Tier 2	8.9	13.3	8.9	13.8	9.0	12.2
GA Modifier	(41.49)		(44.38)		(32.90)	

Complaints to the OEB

One complaint. The complaint is closed. The reporting platform for complaints is not easy to see how the complaint was closed. It was a complaint not specific to any actions of KWHI. The complainant was scammed.

Other Complaints

In August 2018, a consultant with Your Electricity Bill Analyzed For You (YEBAFY) demanded that we give his client, a hotel, the OREC (Ontario Rebate for Electricity). KWHI interpreted the OREC legislation to state that hotels were not eligible and the consultant took the stance that hotels were, in fact, eligible. KWHI asked the consultant to provide an affidavit that the hotel had tenants without another addresses. The requested affidavit was never received.

In October 2018, the consultant filed a formal complaint with the OEB against KWHI for denying the hotel the OREC. The OEB contacted the consultant directly to inform them that they did not believe that hotels were eligible for the OREC. Further, on follow-up by KWHI staff to Board staff, KWHI was informed by them that the hotel was not eligible. In Board staff's opinion, the hotel was not eligible unless the hotel also provides a permanent residence. In

addition, in January 2019, the EDA provided the same direction to all LDC's.

In April 2019, a Demand Letter was received from a law firm representing the hotel requesting the OREC. The demand letter sought damages of \$230,279 as a result of the hotel's entitlement to the rebate.

KWHI immediately called its lawyer (John Vellone) and asked for direction. As a result, a letter from KWHI's law firm (BLG) was sent to the hotel's law firm stating that the hotel should go to the OEB for resolution, not to us. To date, there has been no further communication from the hotel or its law firm.

Reports Filed in January - April

OEB – Quarterly Reporting (February)
OEB – Arrears Reporting (February)
Minister of Energy – OREC Consumption (February)
OEB – Publicly Traded Securities (April)
OEB – LEAP Annual Report (April)
OEB – RRR's (April)



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL

May 10, 2019

Margaret Nanninga
Vice-President Finance & Chief Financial Officer
Kitchener-Wilmot Hydro Inc.
P.O. Box 9010
301 Victoria Street South
Kitchener ON N2G 4L2
mnanninga@kwhydro.ca

Dear Ms. Nanninga:

**Re: Kitchener-Wilmot Hydro Inc.
2020 Cost of Service Rate Application
Ontario Energy Board File Number: EB-2019-0049**

Further to the Ontario Energy Board's (OEB) acknowledgment letter dated May 1, 2019, the OEB has completed its preliminary review of your 2020 Cost of Service rate application and will now commence the processing of your application. The next steps will be communicated in due course.

Please direct any questions relating to this application to the Case Manager, Donald Lau, Project Advisor, at 416-440-7681 or Donald.Lau@oeb.ca.

Yours truly,

Original Signed By

Christine E. Long
Registrar

c: Jerry Van Ooteghem, Kitchener-Wilmot Hydro Inc.
John Vellone, BLG

BY EMAIL

May 16, 2019

Margaret Nanninga
Vice-President Finance & Chief Financial Officer
Kitchener-Wilmot Hydro Inc.
P.O. Box 9010
301 Victoria Street South
Kitchener ON N2G 4L2
mnanninga@kwhydro.ca

LETTER OF DIRECTION

Dear Ms. Nanninga:

**Re: Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro)
Application for 2020 Distribution Rates
Ontario Energy Board File Number: EB-2019-0049**

The Ontario Energy Board (OEB) has now issued its Notice of Hearing for Kitchener-Wilmot Hydro's application for 2020 Distribution Rates (Notice). The Notice will be published by the OEB, in accordance with directions to the OEB's agent which were copied to you. Please note that you must comply with the directions in paragraphs 1 and 3 below **prior to May 22, 2019**, which is the publication date of the newspaper in which the Notice will appear last. If you are unable to comply with the directions within this timeframe, you must inform the Registrar immediately at Registrar@oeb.ca.

You are directed:

1. No later than the date the Notice is posted on Kitchener-Wilmot Hydro's website in accordance with paragraph 3, to:
 - a) arrange for the service of the enclosed Notice, in the exact form accompanying this letter and the application and the evidence, directly on intervenors in Kitchener-Wilmot Hydro's last cost of service application (EB-2013-0147); and
 - b) arrange for the service of the enclosed Notice, in the exact form accompanying this letter by email on any customers for which Kitchener-Wilmot Hydro has an email address and appropriate permissions to use the email address to send

utility or regulatory information with the following email message:

- i. "Kitchener-Wilmot Hydro Inc. has applied to the Ontario Energy Board to increase our electricity distribution rates. Please review the Ontario Energy Board's Notice of Hearing to learn more and to find out how you can participate in the Ontario Energy Board's hearing". The email must attach a copy of the Notice and the words "Notice of Hearing" within the email message are required to provide a live link to the Notice posted on Kitchener-Wilmot Hydro's website.
2. If Kitchener-Wilmot Hydro is a Host Distributor, to no later than the date the Notice is posted on Kitchener-Wilmot Hydro's website in accordance with paragraph 3, serve a copy of the enclosed Notice directly on its Embedded Distributor.
3. To make a copy of the Notice, the application and evidence, and any amendments thereto, available for public review at Kitchener-Wilmot Hydro's office and in a prominent place on Kitchener-Wilmot Hydro's website.
4. If Kitchener-Wilmot Hydro has a twitter account, once the Notice is posted on Kitchener-Wilmot Hydro's website, in accordance with paragraph 3, to tweet the following message: "We have applied to the @OntEnergyBoard to increase our electricity distribution rates. Learn more. Have your say." The tweet is required to provide a live link to the Notice posted on Kitchener-Wilmot Hydro's website.
5. To file with the OEB an affidavit in both electronic and paper forms proving completion of the matters in paragraphs 1 through 4 above immediately thereafter.
6. To provide a copy of the Notice, application and evidence, and any amendments thereto, to anyone requesting the material.

You are further directed not to include any documents or materials when serving the Notice other than documents or materials expressly required by this letter of direction to be served.

Yours truly,

Original Signed By

Christine E. Long
Registrar
Office of the Registrar

Encl.

c: John Vellone, Applicant's Counsel

ONTARIO ENERGY BOARD NOTICE TO CUSTOMERS OF KITCHENER-WILMOT HYDRO INC.

Kitchener-Wilmot Hydro Inc. has applied to raise its electricity distribution rates and other charges.

Learn more. Have your say.

Kitchener-Wilmot Hydro Inc. has applied to the Ontario Energy Board to raise its electricity distribution rates effective January 1, 2020. If the application is approved, a typical residential customer and a typical general service customer of Kitchener-Wilmot Hydro Inc. would see the following increases:

Residential (750 kWh)	\$2.24 per month
General Service less than 50 kW (2,000 kWh)	\$6.01 per month

Other customers, including businesses, may also be affected.

Kitchener-Wilmot Hydro Inc. has also applied for approval to increase the Meter Removal without Authorization service charge. It is important to review the application carefully to determine whether you may be affected by these changes.

THE ONTARIO ENERGY BOARD IS HOLDING A PUBLIC HEARING

The Ontario Energy Board (OEB) will hold a public hearing to consider the application filed by Kitchener-Wilmot Hydro. During the hearing, we will question Kitchener-Wilmot Hydro on its case for a rate increase. We will also hear questions and arguments from individual customers and from groups that represent Kitchener-Wilmot Hydro's customers. At the end of this hearing, the OEB will decide what, if any, rate increase will be allowed.

Distributors such as Kitchener-Wilmot Hydro typically apply for a full review of their rates every five years. Any rate changes for the years in between are made by applying an OEB-approved formula which is tied to inflation and other factors intended to promote efficiency. You may not get notice of future rate changes made by applying the formula.

The OEB is an independent and impartial public agency. We make decisions that serve the public interest. Our goal is to promote a financially viable and efficient energy sector that provides you with reliable energy services at a reasonable cost.

BE INFORMED AND HAVE YOUR SAY

You have the right to information regarding this application and to be involved in the process.

- You can review Kitchener-Wilmot Hydro's application on the OEB's website now.
- You can file a letter with your comments, which will be considered during the hearing.
- You can become an active participant (called an intervenor). Apply by **June 3, 2019** or the hearing will go ahead without you and you will not receive any further notice of the proceeding.
- At the end of the process, you can review the OEB's decision and its reasons on our website.

LEARN MORE

These proposed charges relate to Kitchener-Wilmot Hydro's distribution services. They make up part of the Delivery line - one of the line items on your bill. Our file number for this case is **EB-2019-0049**. To learn more about this hearing, find instructions on how to file letters or become an intervenor, or to access any document related to this case, please select the file number **EB-2019-0049** from the list on the OEB website: www.oeb.ca/notice. You can also phone our Consumer Relations Centre at 1-877-632-2727 with any questions.

ORAL VS. WRITTEN HEARINGS

There are two types of OEB hearings - oral and written. Kitchener-Wilmot Hydro has applied for a written hearing. The OEB is considering this request. If you think an oral hearing is needed, you can write to the OEB to explain why by **June 3, 2019**.

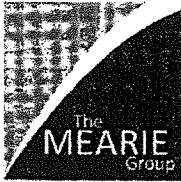
PRIVACY

If you write a letter of comment, your name and the content of your letter will be put on the public record and the OEB website. However, your personal telephone number, home address and email address will be removed. If you are a business, all your information will remain public. If you apply to become an intervenor, all information will be public.

This rate hearing will be held under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998 c.15 (Schedule B).



Ontario Energy Board
Commission de l'énergie
de l'Ontario



3700 Steeles Avenue West, Suite 1100
Vaughan, Ontario L4L 8K8
Tel: 905.265.5300, Fax: 905.265.5301
Toll Free: 1.800.668.9979
www.mearie.ca

April 2, 2019

Mr. Jerry Van Ooteghem
President and CEO
Kitchener-Wilmot Hydro Inc.
301 Victoria Street South
Kitchener, Ontario N2G 4L2

Dear Jerry,

On behalf of The MEARIE Group, I would like to congratulate Kitchener-Wilmot Hydro on being awarded the *LDC Performance Excellence* award at the recent Award Gala on March 25, 2019.

This award is a testament to Kitchener-Wilmot Hydro's strong commitment to performance excellence and providing high quality services and innovation.

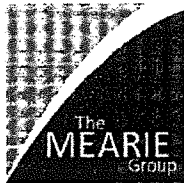
As the only Canadian insurance supplier dedicated to the electricity sector, The MEARIE Group is truly member-driven in the delivery of insurance and risk management solutions to Ontario's electricity sector. Thirty plus years into our story, we are an advocate for active risk management programs, and an ally for our clients in support of practical risk management solutions and intelligence.

Once again, congratulations and many thanks for your longstanding support of MEARIE.

Sincerely,

C.C. (Charlie) Macaluso
President and Chief Executive Officer

/nk



3700 Steeles Avenue West, Suite 1100
Vaughan, Ontario L4L 8K8
Tel: 905.265.5300, Fax: 905.265.5301
Toll Free: 1.800.668.9979
www.mearle.ca

April 2, 2019

Mr. Jerry Van Ooteghem
President and CEO
Kitchener-Wilmot Hydro Inc.
301 Victoria Street South
Kitchener, Ontario N2G 4L2

Dear Jerry,

On behalf of The MEARIE Group, I would like to congratulate Kitchener-Wilmot Hydro on being awarded the *Public Electrical Safety Excellence* award at the recent Award Gala on March 25, 2019.

This award is a testament to Kitchener-Wilmot Hydro's strong commitment to improving public electrical safety through education and awareness.

As the only Canadian insurance supplier dedicated to the electricity sector, The MEARIE Group is truly member-driven in the delivery of insurance and risk management solutions to Ontario's electricity sector. Thirty plus years into our story, we are an advocate for active risk management programs, and an ally for our clients in support of practical risk management solutions and intelligence.

Once again, congratulations and many thanks for your longstanding support of MEARIE.

Sincerely,

C.C. (Charlie) Macaluso
President and Chief Executive Officer

/nk

Posted in: [Practice & Procedure](#) | [Ontario](#) | [Energy Policy](#)

May 13, 2019

Ontario Passes Legislation to “Reform” the OEB and Repeats Promise to Reduce Electricity Costs



By [David Stevens](#)

On May 9, 2019, the Ontario government passed [Bill 87](#) (which amends the *OEB Act*, the *Electricity Act* and the *Fair Hydro Plan Act*). As described in a [previous post](#), key items included in the new legislation are reforms to the structure of the Ontario Energy Board (OEB) and changes to the “Fair Hydro Plan.”

The amendments to the *OEB Act* will amend the OEB’s governance structure and operations. These changes come into effect upon proclamation of the new legislation, which will presumably happen soon.

Key changes (which are consistent with the recommendations in the [Ontario Energy Board Modernization Review Panel Final Report](#)) include the creation and appointment of:

- A Board of Directors who will be responsible for governance and strategic oversight of the OEB, “interfacing” with the Minister and the government. The Board Chair will “be accountable” to the Minister “for ensuring the independence and effectiveness of the OEB’s adjudicative process.”
- A CEO to provide executive leadership for all operational and policy aspects of the OEB.
- Commissioners to take on the adjudicative roles for hearing and determining matters within the OEB’s jurisdiction. The Chief Commissioner will assign cases and ensure “the timeliness and dependability of the regulatory process.”

Implementation of these new roles will require some transition, as described in the amendments to the *OEB Act*. Among other things, the initial appointments of a CEO and Commissioners will be made by the Lieutenant Governor in Council, rather than by the OEB’s new Board of Directors.

The transition has already begun. The prior Chair and Chief Executive Officer of the OEB has now departed her role. As set out in the new provisions of the *OEB Act*, that role will be filled by several different people in the future. No announcements have yet been made as to who will be appointed to the OEB’s CEO, Board Chair or Chief Commissioner roles.

Bill 87 also includes changes to the Fair Hydro Plan that will amend how it is financed (by moving the costs to the Province’s debt), and this is said to save interest costs. The amounts removed from customers’ electricity bills will apparently not change, though the government promises to change the way that customer savings are displayed on customer bills.

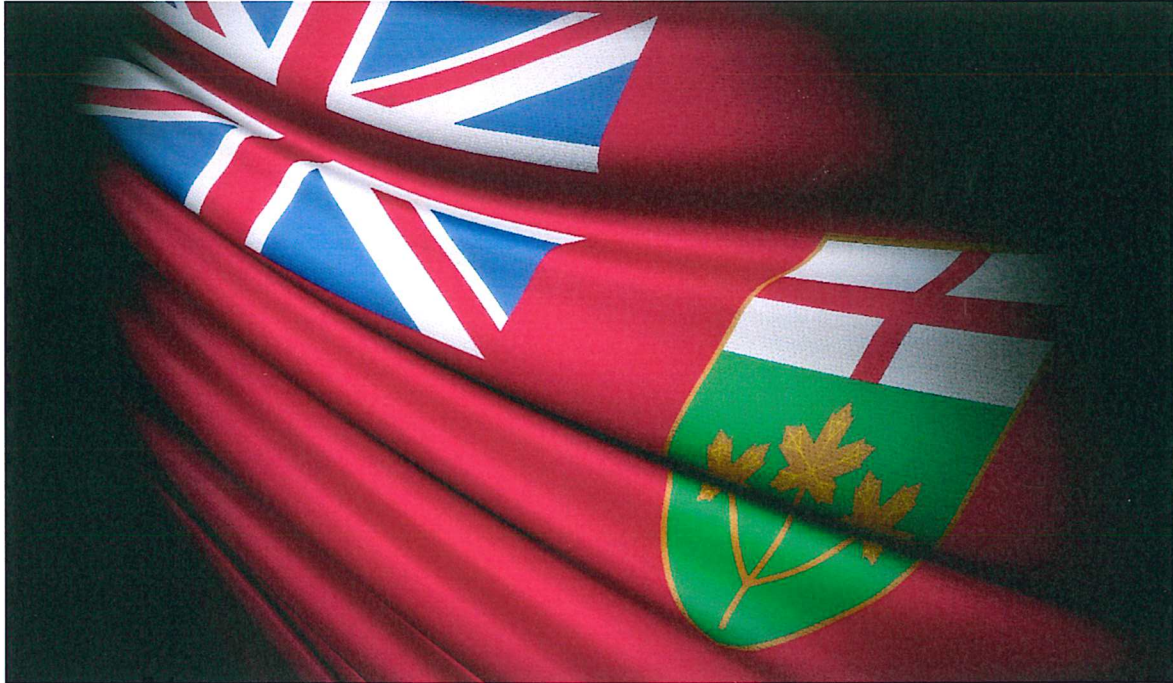
The government’s [press release](#) announcing the passing of Bill 87 repeats the promise to “keep residential hydro bills stable” and “work towards an overall reduction of 12% to electricity rates.” There is still no detail about how this will be done, though there is a repeat of the earlier commitment to limit the increases to the average residential electricity bill to the rate of inflation, apparently through “regulatory initiatives.”



[Short Bio](#)

David is dedicated to understanding his clients’ businesses and creates and implements solutions to advance their objectives.

No New Energy Initiatives in 2019 Ontario Budget



By [David Stevens](#)

On April 11, 2019, the Ontario government introduced its first [budget](#). Notably, the budget does not include any significant new initiatives or measures aimed at energy policy. Instead, the energy-related discussion in the budget repeats previously-issued announcements (see [here](#)), and provides some updates. The following paragraphs summarize the main energy-related pronouncements in the 2019 budget.

On the topic of electricity costs, the 2019 budget highlights the government's plan (through [Bill 87](#)) to update the refinancing of the global adjustment costs that were deferred through the Fair Hydro Plan. The government also repeats its plan to "hold average residential electricity bill increases to the rate of inflation" and indicates that it plans to introduce an enabling regulation effective May 1, 2019. On industrial electricity pricing, the government highlights its current consultation process (see [here](#)) to review existing programs and then design and develop "new policies to manage electricity costs and help Ontario businesses grow and compete."

On the topic of conservation programs, the 2019 budget repeats the government's plan (see [here](#)) to phase out "less effective" conservation and energy efficiency programs, with an attendant saving of around \$440 million.

The 2019 budget repeats the government's message that governance and operations at the Ontario Energy Board (OEB) can be improved, and points to the newly-proposed amendments to the *Ontario Energy Board Act, 1998* (see [here](#)) that will reform the structure and operations of the OEB.

Finally, the 2019 budget confirms that the current government supports the goal of further consolidation of electricity distributors in Ontario. The 2019 budget document indicates that consolidation "could lead to reduced electricity rates and improved services for electricity customers through innovation and efficiency gains" and points to possible benefits of private-sector expertise in the sector. This government had previously announced that reductions in transfer taxes to encourage consolidation and private-sector involvement in the Ontario electricity distribution sector would be extended to the end of 2022. The new announcement in the 2019 budget is that the government intends to use any transfer tax collected for electricity rate relief.



Source: Elexicon Energy

March 25, 2019 11:30 ET

Elexicon Energy Introduces New President and Chief Executive Officer

ONTARIO, March 25, 2019 (GLOBE NEWSWIRE) -- Elexicon Energy Inc. ("Elexicon Energy" or the "Company") is pleased to announce that Lesley Gallinger has been appointed as its President and Chief Executive Officer ("CEO") effective May 21, 2019. Lesley is currently Chief Strategy and Financial Officer for the Electrical Safety Authority and earlier worked with Oakville Hydro.

"I am thrilled to join Elexicon Energy and take on this unique opportunity to set the course for a newly merged organization in a dynamic industry," said Lesley Gallinger, President and CEO of Elexicon Energy. "I'm eager to begin developing our strategy for the future with a goal of forging strong customer relationships, aligning our Elexicon Energy team in charting the path forward and delivering sustainable dividends and successful results for all of our shareholders."

Elexicon Energy is the company formed by the Veridian Connections ("Veridian") and Whitby Hydro Electric Corporation ("Whitby Hydro") merger that was approved in 2018. The merger is scheduled to officially take effect on April 1, 2019, at which point Elexicon Energy will officially be in business. The Company will service more than 162,000 residential and business customers with energy services in parts of Durham Region and beyond and will be the fourth largest municipally owned electricity distributor in Ontario.

Lesley joins Elexicon with extensive experience in strategic leadership, corporate governance and enterprise risk management. Her career has involved navigating mergers, acquisitions, and divestitures, and she is uniquely aware of the opportunities and challenges that arise from organizational change. Lesley has led the design of sustainable financial frameworks and corporate strategies in order to achieve substantial business growth and is able to translate vision into action and results.

"We are very excited to welcome Lesley to the Elexicon Energy team. Her experience in leading strategic change within organizations will build on the successes of both former companies while ensuring the character of our new company is one that everyone can relate to with pride," said Paul Murphy, Elexicon Energy's incoming Board Chair. "Lesley has a track record of delivering results and we are confident she will lead the Company in delivering reliable energy services safely and manage the transformation of a traditional utility into one that is driven by customers, emerging technology trends and new service models."

Elexicon Energy is also welcoming as interim President and CEO, Norm Fraser, to help guide the Company until Lesley arrives. Norm has an extensive background in Ontario's utility industry, including senior level experience in operations, distribution and customer service. Whitby Hydro and Veridian engaged Norm over the past year to assist in managing the merger transition process and he will continue to contribute significantly to the Company during his time in this interim role.

Media Contact

Paul Murphy, Board Chair
Via Chris Mace
905-427-9870, ext. 2218

About Elexicon Energy

Elexicon Energy is a Local Distribution Company that will serve more than 162,000 residential and business customers in parts of Durham Region and beyond. Elexicon Energy is committed to providing its customers with reliable, affordable energy services and to continuously improve to meet their needs, while ensuring the needs of its shareholders are met through continuous growth. Elexicon Energy is owned by five municipalities east of the GTA, including Whitby, Pickering, Ajax, Clarington and Belleville.

MARK POWESKA

APPOINTED PRESIDENT AND CEO

Mr. Poweska currently serves as Executive Vice President, Operations at BC Hydro, where he is a Member of the Executive Team, reporting to the President and Chief Operating Officer. He is accountable for all aspects of operations in BC Hydro's electric system, serving approximately four million residential, commercial and industrial customers in the province of British Columbia. During his tenure in the role, Mr. Poweska successfully led the merger of the former Transmission and Distribution organization with the Generation organization, to form one Operations group with revenues of approximately \$5 billion.

Mr. Poweska joined BC Hydro in 1993 and has worked in several parts of the organization, including engineering, construction and procurement. He was Director, Generation Engineering (2007 – 2010); General Manager, Generation Operations (2010 – 2013); and Senior Vice President, Transmission & Distribution Engineering, Design and Customer Connections (2013 – 2015). He was appointed as Senior Vice President, Training, Development & Generation in 2015 and Executive Vice President, Operations in October 2017.

Throughout his career, he has led teams delivering strong results in technical design; delivery and implementation in engineering and construction; exceptional service to customers; as well as safe operations and maintenance of generation, transmission and distribution assets.

Mr. Poweska sits on the Board of Directors and is Chair of the Operations Committee of the Western Energy Institute, a trade association serving the electric and natural gas industries throughout the Western U.S. and Canada. He is also a Board Advisor to Yukon Energy Corporation, a Canadian Crown corporation that provides electrical power to the Yukon territory.

Mr. Poweska received his B.A.Sc in Mechanical Engineering from the University of Saskatchewan in 1993. He is a Professional Engineer with Engineers & Geoscientists B.C. and until recently was a member of the Dean's Advisory Committee to the Faculty of Engineering at the University of Saskatchewan.



ABOUT HYDRO ONE

We are Ontario's largest electricity transmission and distribution provider with almost 1.4 million valued customers, over C\$25.7 billion in assets and 2018 annual revenues of over C\$6.2 billion. Our team of approximately 8,600 skilled and dedicated employees proudly build and maintain a safe and reliable electricity system which is essential to supporting strong and successful communities. In 2018, Hydro One invested almost \$1.6 billion in its 30,000 circuit km of high-voltage transmission and 123,000 circuit km of primary distribution networks and injected approximately \$1.3 billion into the economy by buying goods and services in Ontario. We are committed to the communities where we live and work through community investment, sustainability and diversity initiatives. We are one of only six utility companies in Canada to achieve the Sustainable Electricity Company designation from the Canadian Electricity Association. Through Hydro One Telecom Inc.'s extensive fibre optic network, we also provide advanced broadband telecommunications services on a wholesale basis. Hydro One Limited's common shares are listed on the Toronto Stock Exchange (TSX: H).

For more information about everything Hydro One, please visit www.HydroOne.com

news release



Hydro One Limited appoints Mark Poweska as President and CEO

Appointment reinforces focus on operational excellence and exceptional, affordable service

TORONTO, March 28, 2019 - Today Hydro One's Board of Directors is pleased to announce the appointment of Mark Poweska as the company's new President and CEO, following a thorough and competitive international search process.

Mr. Poweska is a highly regarded leader with deep experience in the electrical utility sector. With over 25 years of experience at BC Hydro, he currently serves as Executive Vice President, Operations, with responsibility for all aspects of the company's electricity generation, transmission and distribution operations. Throughout his career, he has prioritized safety, exceptional customer service, driving efficiencies and improving the reliability of the electricity system.

"Building on 100 years of proudly powering homes and businesses in Ontario, we believe Mark is the right person to focus on what matters most to our customers, employees, investors and all stakeholders," said Tom Woods, Chair of the Board of Hydro One. "Mark's proven record in building a strong safety culture, exceeding customer expectations and improving operational performance will help to ensure that Hydro One is strong now and into the future."

Mr. Poweska is an engineer with experience at all levels of the electricity industry, from front line to executive responsibility, in all three parts of the business: generation, transmission and distribution. He has a proven ability to build and maintain excellent relationships with industry partners, unions, Indigenous communities, regulators and all levels of government.

"I am very excited for the opportunity to take on this leadership role at Hydro One, which plays a critical part in the lives of everyone in Ontario," said Mr. Poweska. "I am committed to Hydro One being a customer-friendly company delivering safe, affordable and reliable power. I look forward to getting to work and to developing a strategic plan to deliver on these goals."

"My immediate priorities include getting to know the Hydro One team, establishing a positive working relationship with all of our key stakeholders, Indigenous communities and the Government of Ontario, and working to earn the ongoing trust and confidence of the investment community."

Mr. Poweska will begin at Hydro One in early May, succeeding Acting President and CEO Paul Dobson, who will remain with the organization for a period of time to provide support during the transition.

“On behalf of the Hydro One Board of Directors, I want to thank Paul for his exceptional leadership since he took on his current role in July 2018, from his prior position as Chief Financial Officer,” Mr. Woods added.

Bio: Mark Poweska, P.Eng.

Mr. Poweska currently serves as Executive Vice President, Operations at BC Hydro, where he is a Member of the Executive Team, reporting to the President and Chief Operating Officer. He is accountable for all aspects of operations in BC Hydro’s electric system, serving approximately four million residential, commercial and industrial customers in the province of British Columbia. During his tenure in the role, Mr. Poweska successfully led the merger of the former Transmission and Distribution organization with the Generation organization, to form one Operations group with revenues of approximately \$5 billion.

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About Hydro One Limited

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Forward-Looking Statements and Information

This press release may contain "forward-looking information" within the meaning of applicable securities laws. Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "can", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance or actions and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking information. Some of the factors that could cause actual results or outcomes to differ materially from the results expressed, implied or forecasted by such forward-looking information, including some of the assumptions used in making such statements, are discussed more fully in Hydro One's filings with the securities regulatory authorities in Canada, which are available on SEDAR at www.sedar.com. Hydro One does not intend, and it disclaims any obligation, to update any forward-looking information, except as required by law.

For further information: Media: Jay Armitage, Corporate Communications, media.relations@hydroone.com, 416-345-6868; Investors: Omar Javed, Investor Relations, investor.relations@hydroone.com, 416-345-5943

Our website is www.HydroOne.com. Follow us on facebook.com/HydroOneOfficial, twitter.com/HydroOne and instagram.com/HydroOneOfficial/.



you inspire us.

Thank You very much for the tickets!!

I am really looking forward to ~~seeing~~ the
performance 😊

Moua G.



Appendix 7 – CIS Purchase Approval

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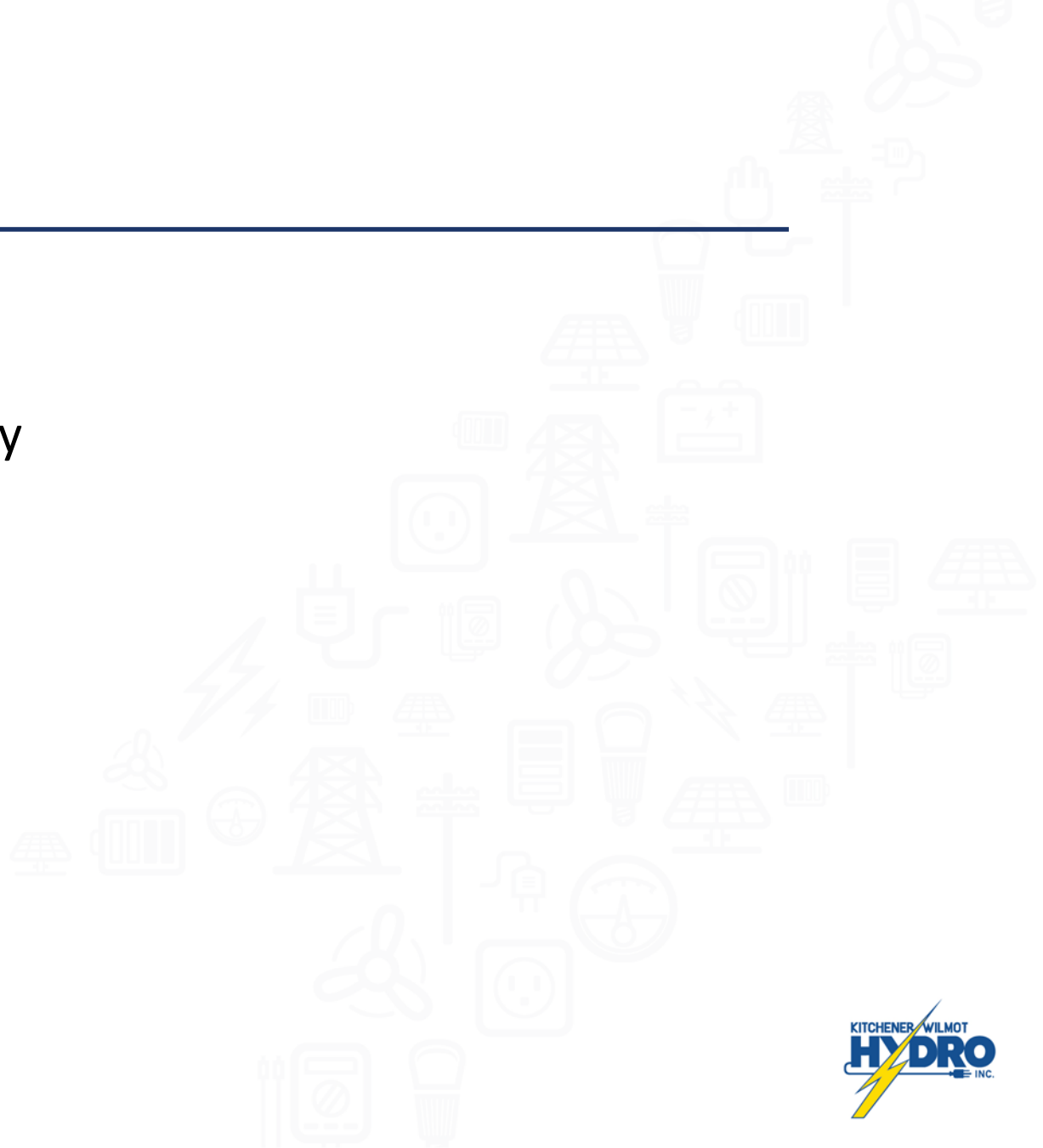
Customer Information System Contract Update

Presentation to KWHI's Board of Directors

May 22, 2019

Agenda

- ☐ Recap
- ☐ Contract Summary
- ☐ Approval



RECAP



Recap of Current State

- Project previously approved in 2018 (January 19th) as part of consortium (\$5.6M capex + \$1.8M internal costs, \$853K/yr opex)
- Consortium disbanded May 2018
- KWHI-only solution developed and presented in March 2019
- Board requested staff to negotiate terms of contract with special provisions
 - Go/No-go decision point
 - Termination provisions with regard to change of ownership (regional review outcome)



Financial impacts – Recommended Solution

AITO/OCS estimated costs to implement Oracle CC&B

3rd Party Costs T&M (\$M)	License Fee & Hardware (\$M)	Internal Labour T&M (\$M)	Total One-Time Costs (\$M)	Total Operating Cost (\$M/Yr)	Incremental Revenue Requirement (\$M)	Monthly Impact (All Customers) \$	Monthly Residential Impact \$
5.47	1.29	1.00	7.76	0.37	0.91	0.92	0.51

Note: 3rd Party Costs include 15% contingency



Recommendation

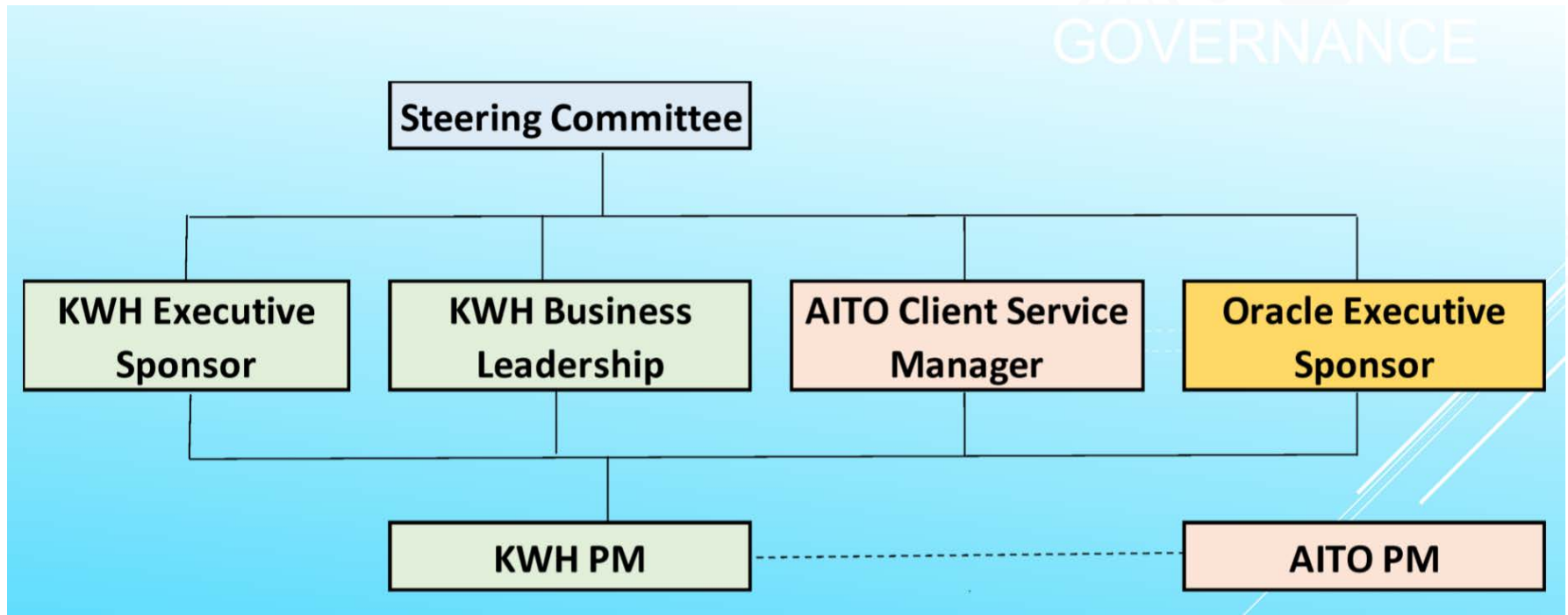
- AITO/OCS joint implementation of Oracle CC&B (Tier 1)
- 16 – 18 month project
- Capex - \$7.76M (includes 15% contingency on system integrator costs and \$1M for internal labour)
- Opex - \$370K/yr (software maintenance fees and application support services)
- Begin implementation Q2/Q3 2019
- Implement in Phases to reduce bill impacts
 - Phase One being the core CIS for customer care, billing & collections
 - Phase Two to add the customer portal & workforce management (additional cost post-2020)



Project Risks and Mitigation

Risk	Mitigation
One remaining programmer close to retirement	<ul style="list-style-type: none">• Must maintain strict timelines to complete CIS project on time• Contract retired programmers to assist, if needed
Significant customer service/CIS changes required from OEB regulation changes	Contact OEB for leave of non-compliance until CIS project complete
Limited resource pool for CIS implementation	Backfill where needed (temporary employees)
Project not moving/implementation issues	Work with AITO/OCS to address - scheduled meetings
End User Acceptance	Implement a change management program and provide adequate training
System Integrator (SI) does not meet the program delivery obligations	<ul style="list-style-type: none">• Establish a steering committee• Ensure SI appropriate subject matter experts• Negotiate reduced hourly rate if estimate exceeded / fix price contracts where possible• Have a well-defined project scope

Project Governance Structure



Contract Summary



Summary of Contracts

- ✓ AITO is prime with OCS subcontracted to AITO to provide Ontario Market customization
- ✓ Time and materials contract
- ✓ Termination Clause
 - Application License (Oracle CC&B)
 - No provisions – required to be purchased upfront (\$1.1M)
 - Implementation Services
 - 14 days notice to SI to terminate without cause
 - Go/No-go decision after blueprint phase (approx. 3 months after project begins) – approx. (\$1.1M SI costs)



Summary of Contracts cont'd

✓ Ownership Transfer

- Application License (Oracle CC&B)
 - Can be transferred to a successor formed through merger/amalgamation

✓ Price Hold

- Application License (Oracle CC&B)
 - 3-year price hold on current negotiated prices for licenses – in the event of adding more customers and/or increasing IT infrastructure that runs the applications (currently planned for a virtual environment)



Approval



Risk of deferral/not proceeding

- Last IT subject matter expert for CIS will retire in 2yrs
- Not in service by 2020 – rate impact – not recoverable until 2025 - \$910K/yr (*total impact \$4.55M*)
- 2020 cost of service budget will be lower – 5yr capex program in jeopardy – approx. \$700K/yr
- Regional review outcome
 - merger means no cost recovery/return for 10 years. CIS will be fully depreciated by then
 - Tier 2 solution may not be suitable for merged entity – will likely have to procure tier1 without cost recovery



Board Resolution for Approval

- *To enter into a contract with AITO/OCS to purchase and implement an Oracle Customer Care and Billing (CC&B) Customer Information System (CIS) to replace the existing legacy CIS at an estimated capital cost of \$7.76M and an annual operating cost of \$370K/year.*



KITCHENER-WILMOT HYDRO INC.

MINUTES

Minutes of a meeting of the Board of Directors of KITCHENER-WILMOT HYDRO INC. held at the offices of Kitchener-Wilmot Hydro Inc., 301 Victoria Street South, Kitchener, Ontario on May 22, 2019 at 11:10 A.M.

The following directors were present in person, namely: Chair C. Motz, B. Vrbanovic, L. Armstrong, R. Cantin, S. MacGillivray, J. Beingessner, and President J. Van Ooteghem.

Also present, with the consent of the Board were W. Meston, M. Nanninga, G. Cameron and J. Duscio.

Call to Order

Chair Motz called the meeting to order.

Approval of the Agenda

Upon motion duly made, seconded and carried, the agenda for the meeting held on May 22, 2019 was approved.

Declaration of Conflict of Interest

Chair Motz asked for a declaration of conflict of interest. No conflict of interest was noted.

Business Arising from Minutes

- Replacement of the Customer Information System

M. Nanninga, Vice-President of Finance & CFO presented a recap of the process for replacement of the Customer Information System and the financial impacts of the recommended solution. G. Cameron Vice-President of Engineering & IT presented an overview of the vendor Contracts and the risks of deferring the project and not proceeding.

Upon motion duly made, seconded and carried, IT WAS RESOLVED:

“To enter into a contract with AITO/OCS to purchase and implement an Oracle Customer Care and Billing (CC&B) Customer Information System (CIS) to replace the existing legacy CIS at an estimated capital cost of \$7.76M and an annual operating cost of \$370K/year.”

Chair C. Motz requested that a regular progress report be added to the Board reports for Board governance oversight.


- **Cost of Service Rate Application**

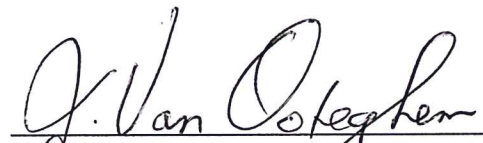
M. Nanninga, Vice-President of Finance & CFO updated the Board on the Cost of Service Rate Application that was filed on April 30, 2019 and that a Letter of Completion has been received from the Ontario Energy Board on May 10, 2019. M. Nanninga also advised the Board that the Notice of Application for a rate increase was placed in the Kitchener Record on May 22, 2019. M. Nanninga also advised the Board of the next steps of the application process.

Termination

There being no further business, on motion the meeting was terminated.

Next Meeting – Friday, June 14, 2019 12:30 pm


Dave Schnarr, Chair


Jerry Van Ooteghem, Secretary



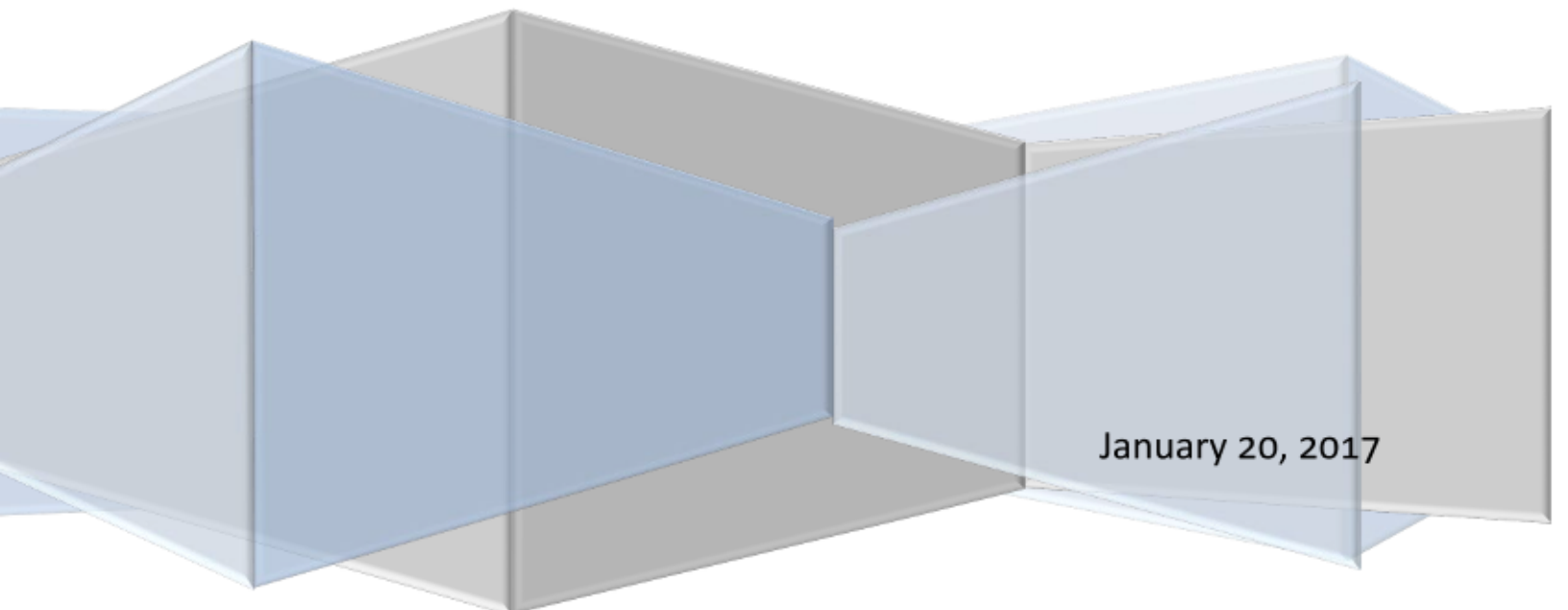
Appendix 8 – KPC Strategic Plan

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PRIVATE AND CONFIDENTIAL

KITCHENER POWER CORP.

Strategic Plan 2016-2020



January 20, 2017

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Executive Summary

Kitchener Power Corporation (KPC) is the sole holding company of two operating entities: Kitchener Wilmot Hydro Inc. (KWHI); and, Kitchener Energy Solutions Inc. (KESI). In 2015, the KPC Board of Directors (the Board) engaged a third-party consultant to review a number of strategic options for its operating entities. It also conducted a follow-up strategic planning session specific to its non-regulated opportunities. This strategic planning report is a result of the work done in 2015.

Four potential strategic options were reviewed at a high-level for its operating entities. Supported by the analysis and information provided in the Strategic Options report and in the follow-up strategic planning session, the Board agreed that KPC would focus its efforts and resources on two primary strategic opportunities:

- 1) KWHI to pursue collaboration opportunities with other regulated local electricity distribution companies to improve distribution services and control costs for the customers of Kitchener-Wilmot Hydro; and
- 2) Grow KPC's non-regulated business Investment Portfolio through ~~either~~ the development of new non-regulated business opportunities

The Board and management recognize the increasing regulatory complexity and constraints associated with operating a Local Distribution Company (LDC) under current Ontario Energy Board (OEB) regulations. Rising electricity rates, new technologies and conservation and Green Energy initiatives continue to put cost pressures on LDC's and challenge their operating budgets and revenue streams. Further, the Province of Ontario is actively encouraging voluntary consolidation of the LDC sector, recently reducing the Transfer Tax and allowing utilities to maintain merger savings over ten years. [REDACTED]

[REDACTED] there are opportunities for cost savings and service improvements by collaborating with other like-minded local distribution companies. KWHI has been doing this for many years with Waterloo North Hydro, Energy+ and Guelph Hydro. More recently, KWHI has expanded its collaboration efforts by being a founding member of GridSmartCity. GridSmartCity is an association of thirteen medium sized LDCs who have come together to pursue collaboration opportunities for the regulated distribution business.

In support of growing KPC's non-regulated business opportunities and recognizing the new technologies that are now available for local generation, a new joint venture company, GRE Corporation, was established in February 2016 with Cambridge North Dumfries Energy Solutions Inc. and Waterloo North Hydro Holding Company to pursue co-generation opportunities and other new energy-related business. The '*Cogeneration Opportunity*' is presented in Appendix A [REDACTED]

With respect to further investment opportunities for KESI and GRE, the Board recognizes that each potential '*Investment*' opportunity would require at a minimum specific objectives, timelines and measures of success. Each would require an independent Business Plan and a supporting Financial Pro Forma reporting. As such, the Plan does not outline additional specific business opportunities but instead provides the framework for the Board and management to solicit and review potential investment opportunities. This includes identification of *Critical Strategic Priorities for KPC* and key *Investment Criteria* as well as *Guiding Principles* for evaluating new investment opportunities.

Finally, the Plan identifies some of the Critical Risk Factors to consider and the strategies to minimize and/or mitigate potential areas of risk; as well as some Key Next Steps to achieve the desired outcomes.

The Plan is put forth as a framework in support of the two primary strategic opportunities, yet recognizes the substantial effort and continued work that is required by both the Board and management to be successful in achieving the strategic objectives outlined in this report.

1 Introduction

At the direction of its Board, KPC undertook an extensive Strategic Planning exercise in 2015. KPC engaged the assistance of third-party consulting expertise who conducted multiple working sessions with senior management. The working sessions explored possible strategic opportunities for the subsidiaries of KPC, resulting in four (4) reasonable and viable Strategic Options.

KPC as the sole holding company of two subsidiary companies conducted a high-level review of both of its regulated and non-regulated businesses. While a brief overview of the four options considered is included in this report, this Strategic Plan provides direction primarily with respect to Option 1 for the regulated business KWHI; and the growth opportunities for the non-regulated businesses identified in Option 4 of the Strategic Options report.

KPC's Purpose Statement

As an outcome of the strategic planning session and in preparation of this strategic plan, a Purpose Statement was developed to reflect the company's commitment to its customers, the environment and the citizens of the communities in which it conducts business.

The Purpose Statement below aligns with KPC's investment strategies, and is represented and protected within the Critical Strategic Priorities and the Long-Term Investment Vision.

'Driving progress and innovation – a successful and responsible energy business, trusted by customers' and powering a thriving and sustainable community'

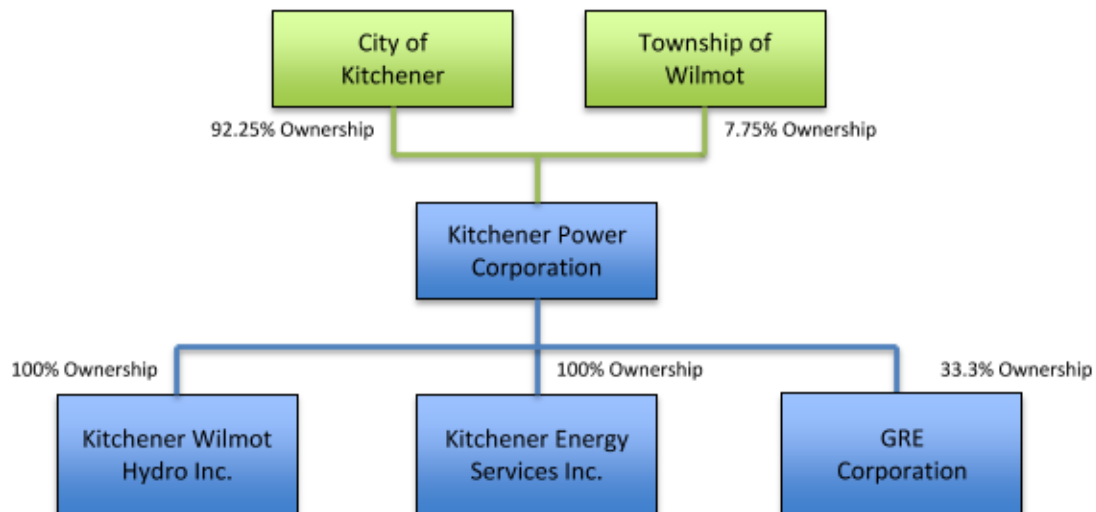
2 Background

2.1 Corporate Overview

KPC is a Corporation proportionately owned by the City of Kitchener (92.25%) and the Township of Wilmot (7.75%). KPC serves as a non-regulated holding company and maintains sole ownership of the following two entities:

- Kitchener-Wilmot Hydro Inc. (KWHI) is a Local Distribution Company (LDC) that is responsible for distributing electricity to approximately 92,000 homes and businesses within the City of Kitchener and the Township of Wilmot. The utility is a wholly owned subsidiary of Kitchener Power Corporation.
- Kitchener Energy Services Inc. (KESI) is a wholly owned subsidiary of KPC. KESI was incorporated to house non-regulated activities that would operate outside of the purview of the Ontario Energy Board (OEB). KESI currently provides street light maintenance services within the City of Kitchener and the Township of Wilmot.
-

Recently, in February 2016, a new non-regulated Joint Venture (JV) was incorporated to initially focus on cogeneration opportunities, with potential to expand to other businesses including but not limited to renewable energy, district energy, and energy storage. GRE Corporation (GRE) is owned in equal shares of one-third (1/3rd) by KPC, with Cambridge & North Dumfries Energy Solutions Inc., and Waterloo North Hydro Holding Company.



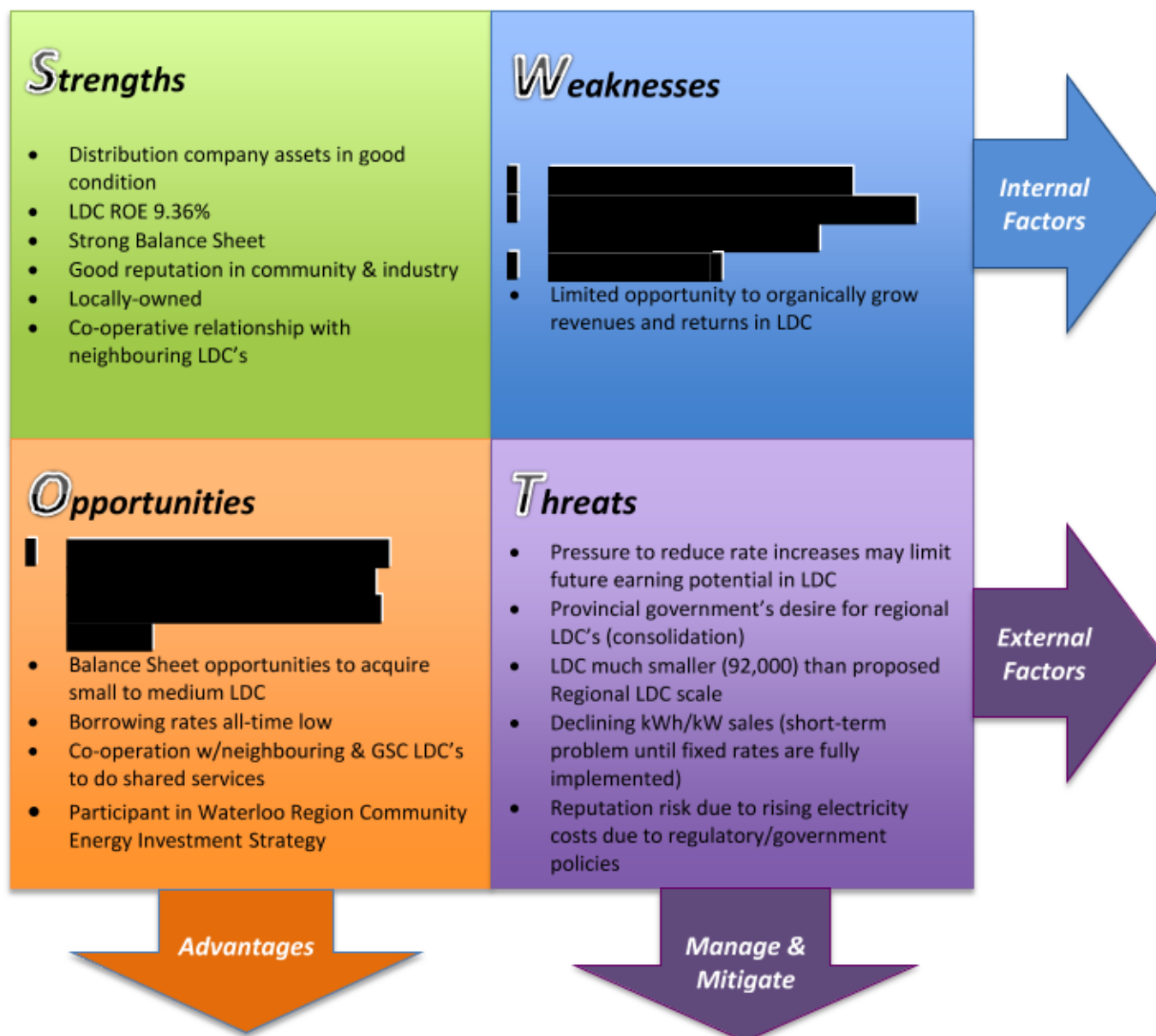
2.2 Environmental Scan (KPC SWOT Analysis)

Environmental scanning is a process that systematically surveys and interprets relevant data to identify external opportunities and threats. An organization gathers information about its external environment, its competitors and itself. Organizations also scan the environment in order to understand internal issues and barriers or forces of change as well as internal strengths, so that they may develop effective responses, which secure or improve their position in the future.



Further, there are opportunities to leverage KWHI's brand name and reputation, along with its current high level of customer trust – when considering investment and other partnership opportunities.

KPC maintains a trusted and cooperative working relationship with its neighbouring LDC's and their respective holding companies. As an example, KWHI is currently a utility partner with GridSmartCity (GSC). GSC's utility partners are committed to bringing greater efficiencies and broader scope through cooperative initiatives and the combined purchasing power of the regulated distribution companies. The utility Partners Cooperative enables its twelve utility members to work together with a common purpose – achieving efficiencies of scale and purchasing power, while maintaining individual autonomy. These relationships also provide KPC and its non-regulated subsidiaries with further potential for non-regulated partnership opportunities.



3 Review of Strategic Options

As a result of the working sessions, four Strategic Options were identified, discussed and deemed reasonable and viable when considering the future course of KPC and its subsidiary companies. In determining each Option's viability, the Board reviewed supporting financial and policy information. Areas of review included, but were not limited to: Regulatory and Financial Implications; Impact of PILs and Transfer Tax; and, Operational and Capital Considerations. Following is an overview of each of the four Options.

3.1 Stand-Alone LDC

Under this Option, KWHI would continue to be owned and operated by its current Shareholders on a 'status quo' basis. This Option provides Shareholders with a continuing high degree of control over the quality and type of service provided to the community. The flow of annual dividends and interest payments are assumed to continue, consistent with the existing policies of the Board.

Potential implications of this Option include impacts on Customers, Operating expenditures and Capital costs and the feasibility to remain 'status quo' in consideration of the pressure to consolidate by the Ontario government.

KPC recognizes the evolving and challenging regulatory environment in which its utility operates, and the continued cost pressures relative to decreasing revenues and increasing operating costs. KWHI has been proactive in seeking opportunities to offset rising costs and increase efficiencies, partnering with like-minded LDC's to share services and reducing operating costs. As such, KPC has confidence that KWHI will continue to challenge the 'status quo' and seek opportunities to increase profitability and grow, recognizing the need to evolve its utility business now and into the future.

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3.4 Other Growth Opportunities

This Option considered multiple growth opportunities; 1) partnerships with other LDCs and/or their related holding companies, 2) LDC acquisition, 3) new lines of business in the regulated entity, and, 4) non-regulated growth strategies.

This Strategic Plan provides direction primarily with respect to the growth opportunities defined in this option.

4 Critical Strategic Priorities for KPC

[illegible]

5 Synergies & Strategic Fit

6 Areas of Strategic Focus

KPC's five-year strategic outlook focuses on creating long-term Shareholder value – by enhancing profitability and encouraging continued growth strategies, within both its regulated and non-regulated subsidiaries. A Strategy Map for the period 2016 – 2020 was developed and is included in Appendix B.

6.1 Strategic Priority 1 – Collaboration with Other LDC's

6.1.1 Background

The Ontario electricity distribution sector has become increasingly complex over the past sixteen (16) years due to increased regulatory, political, financial, technological and environmental demands. The level of complexity, and the continued constraints and burdensome regulations placed upon utilities by regulators, are expected to continue into the future.

The current environment of high electricity prices creates ongoing cost pressures and stresses on all LDC's. LDCs are looking at all options to reduce operating costs and stabilize distribution rates to customers while maintaining or improving dividends for the shareholder. At the same time, the Province of Ontario continues to encourage voluntary consolidation of the LDC sector through mergers and acquisitions.

On March 26, 2015 the OEB issued a Policy associated with LDC consolidation, indicating LDC's could elect to delay rate harmonization and retain synergies from merger activities, for up to ten (10) years after a transaction. This is a substantive increase from the previous five (5) year timeline, and validates that the OEB wishes to encourage further utility consolidation.

In the April 2015 Ontario budget, a provision was included that provides a three year exemption of the Transfer Tax and the Departure Tax for LDC's with less than 30,000 customers, and reduces the Transfer Tax for larger LDC's to 22% from 33%. Further evidence of a push to encourage LDC's to consolidate.

6.1.2 Situational Analysis

KWHI is considered a leader amongst its peers and in the industry. KWHI customers currently enjoy one of the lowest residential distribution rates in the Province. According to the OEB 2015 Yearbook of Electricity Distributors, KWHI was the 9th largest LDC, and one of the most efficient with the second lowest Operating, Maintenance & Administration (OM&A) cost per customer of all LDC's in the province. KWHI has consistently

delivered a high-level of Service Quality and Performance as outlined in the OEB annual Scorecard. The Scorecard highlights KWHI's ability to effectively manage the industry trend of increasing costs, with its Total Cost per Customer increasing an average of only 1.56% per year over a four-year period. KWHI's financial profile remains very strong, with a positive decline in its ratio of total debt to equity from 0.77 to 0.69.

KPC and its municipal shareholders are proud of its utility's reputation. It recognizes that there are opportunities to 'leverage' the KWHI image and trust that it has built up over the years, with its customers, the public, the municipality, local businesses and its industry peers. However, for some LDC's that connection continues to be challenged as the relationship with customers evolves (Section 6.1.3). Fortunately for KPC it continues to maintain a trusted and responsive relationship with its current customer base, as evidenced in its most recent Customer Loyalty¹ score of 92%.

6.1.3 Evolving Customer Relationship

The LDC customer of today is not the same as in the past. Customers are now more empowered and tech savvy. Their expectations are being shaped by their experiences in other industries, including financial services and retail, which provide personalized, relevant and on-demand services. With smart meters installed across the province and an emerging smart home ecosystem of solutions, new smart technologies are redefining the way electricity customers interact with and are connected to the distribution system.

Further, the role for consumers is changing from one of simply using power to also supplying power or being asked to participate in load reduction or other conservation matters. This newly complex relationship with both residential and commercial customers is challenging the traditional, trusted relationship with their local utility. Customers are frustrated by the increase in their electricity bills despite using less electricity. Utilities are being squeezed between demands for increased quality, reliability and customer responsiveness, while also being asked to provide greater operational efficiencies to keep rates stable and affordable for customers. The OEB's '*Renewed Regulatory Framework*', for example, seeks to promote performance-based incentives, enable innovation and improve productivity and competitiveness for LDC's. The evolving privatization of Hydro One, the continued encouragement to consolidate, and policy and regulatory changes that open the door for private sector capital have sent a clear signal from the Government that utilities will be expected to do more with less, and protect rate shock to customers at all costs.

6.1.4 KWHI

For the regulated entity, management and the Board are focused on improving KWHI's overall cost structure in order to provide reasonable Shareholder dividends and improve customer service while mitigating future rate impacts.

KWHI is committed to improving asset utilization, optimizing its core business processes and implementing innovative technologies and solutions to capture efficiencies and improve productivity throughout its business.

In its commitment to mitigate future rate impacts to customers, and improve customer service and reliability KWHI continues to seek investment and growth opportunities to enhance revenues. KWHI has very good relations with its neighbouring and peer utilities, and has taken a leadership role in identifying opportunities to participate in sharing services aimed at collectively reducing both operating and administrative costs.

¹ Simul, Customer Satisfaction Survey Results 2016

Safety, Reliability and Sustainability are core values within the utility. These core values support the long-term strategies and assist in directing resources and investments, relative to KWHI's profitability and growth opportunities.

6.1.5 Strategic Objectives

The following strategic objectives have been identified for its regulated business, Kitchener-Wilmot Hydro Inc.

1. Seek opportunities to offset rising costs and increase efficiencies by partnering with like-minded LDC's to share services and reduce operating costs.
2. Seek opportunities to increase profitability and grow by expanding or seeking new lines of business for the regulated entity.
3. Evolve the regulated utility business to meet the needs of its customers now and into the future (Section 6.1.3).

6.2 Strategic Priority #2 - Grow KPC's Non-Regulated Business

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7 Critical Risk Factors

Identifying potential risk factors that could impact KPC's progress in achieving its Strategic Outputs and/or impede its ability to attract investment partners/opportunities assists in developing relevant risk mitigation strategies.

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[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

8 Risk Mitigation Strategies

Risk management is all about understanding risks that can impact the operational objectives required to execute on Strategic Priorities, and implementing strategies to mitigate and manage those risks. Throughout the process, an assessment of potential risks was analyzed on those substantive elements of activities and strategies, particularly related to Critical Risk Factors.

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9 Key Next Steps

In order to achieve the strategic priorities outlined in this report, following are some key considerations and next steps relative to executing on diversification and investment opportunities within the affiliated entities. These outputs signal priorities to be undertaken, and the Board's commitment to moving forward, dependent on the outcome of the following and other material implications, as identified.

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[illegible]

10 Conclusion

The KPC Board and management will focus their efforts and resources over the coming years on two key Strategic Priorities:

- 1) Strategic Priority 1 – Collaboration with Other LDC's; and
- 2) Strategic Priority #2 - Grow KPC's Non-Regulated Business.

Many activities are already underway with respect to the first strategic priority through local initiatives with Waterloo North Hydro and Energy+, and with the other 12 partners in GridSmartCity.

APPENDIX A – Cogeneration Opportunity

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

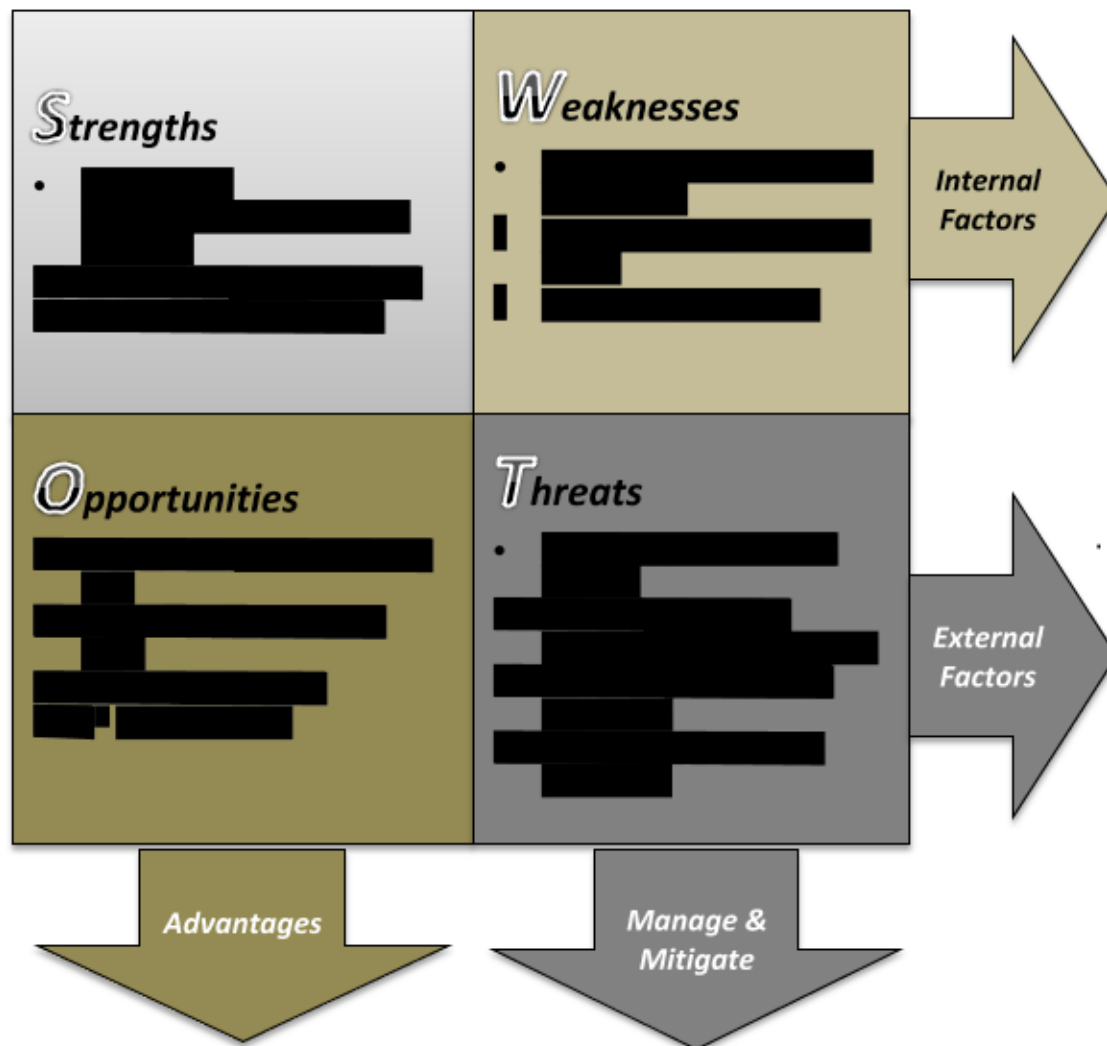
Category	Black Segment (%)	Gray Segment (%)
1	25	75
2	20	80
3	25	75
4	20	80
5	25	75
6	20	80
7	25	75
8	20	80
9	25	75
10	20	80

1. [Redacted]

[Redacted]

2. [Redacted]

[Redacted]



1 [REDACTED]

[REDACTED]									
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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APPENDIX B - KPC Strategy Map 2016 - 2020

