

Achievement Through Collaboration

ANNUAL REPORT 2015



Cornerstone
Hydro Electric Concepts

Table of Contents

1. **Message from the Chair
and Message from the COO**
3. **Executive Summary**
5. **Who We Are**
7. **Governance**
10. **CHEC Accomplishments 2015**
 - i. Finance/Regulatory
 - ii. Operations
 - iii. Conservation & Demand Management
19. **Moving Forward**
21. **Appendix A -
Financial Reporting Summary 2015**

Message from the Chair

I believe in the value of small LDCs, I always have. Small LDCs have always performed capably and can deliver electricity services to our communities in ways that only small LDCs can.

I believe in collaboration and through the collaborative partnerships within CHEC our small LDCs will continue to perform capably well into the future by leveraging the resources of others to become more robust and fully resourced. I believe in the strength of these partnerships and I believe in CHEC.

2015 saw many of the LDCs in the Greater Toronto Area either considering or undergoing consolidation in order to achieve one of the goals of the Province which is to reduce the number of LDCs in Ontario. The fifteen small LDCs that are members of the CHEC Association have chosen an alternative route. That route involves the continued collaboration within the CHEC Group to achieve the benefits of the larger size while maintaining the relationships and autonomy of the individual LDCs at the local level.

My belief and CHEC's message is beginning to get out. Over recent years other LDCs have joined the CHEC Association in recognition of the benefits and the opportunities of being involved in a larger group and having access to the shared resources and expertise. During this same period a number of our member LDCs have been involved in ownership discussions initiated by their shareholders as the push for consolidation increases in the province. This is a natural evolution as both shareholders and LDCs consider which options of ownership and responsibility will

provide the best quality services and benefits to their citizens and customers. During these deliberations, the affected member CHEC LDCs have continued to be active in the Association and to develop processes and models that contribute to the efficient operation of our core business, which is excellent customer service, delivery of electricity to our customers, and financial benefits to our shareholders.

Through collaboration, our member LDCs continue to achieve the efficiencies and benefits sought by our many stakeholders. We have proven that we can implement effective solutions across all areas of our business, within the Operations, Finance, and Conservation and Demand Management portfolios leveraging technology and shared knowledge to implement the best possible solutions that are transferable to the individual needs of each LDC. The results of this commitment to excellence can be seen in both our OEB Scorecard results and our Customer Satisfaction survey results of 2015.

On behalf of the Board of Directors I want to thank our CHEC staff, and our member LDCs and their employees for their commitment and belief in the organization that has allowed us to achieve such exceptional results as we remain integral, involved members of our communities.



Ed Houghton

Chair, CHEC Board of Directors

Message from the COO



Gord Eamer

CHEC Chief Operating Officer

This is the first formal Annual Report prepared by the CHEC Association and we're pleased to be able to provide a comprehensive overview of the CHEC organization and all that the Association and our member LDCs have achieved during the past year.

2015 was another busy year for the CHEC Association as we adapted and responded to the changing requirements of the electrical industry. With three steering committees, three standing committees and six working groups active in all areas of the organization, Finance & Regulatory, Operations, and Conservation and Demand Management, it was a year of considerable involvement by our member LDCs that resulted in the significant successes that are outlined in this report.

As the Chief Operating Officer and the overseer of all our activities, it is inspiring to see the dedication and commitment our member LDCs have in developing the models and processes that will help our LDCs become more

streamlined and more efficient in the delivery of electricity. Collaboration takes time and a commitment to be successful and our member LDCs have shown repeatedly that they are committed to the process and willing to do the hard work required to make our organization successful.

In 2015, we also developed the Winning Strategy that will guide the Association as it moves forward and ensure that we are providing the services and support needed by our member LDCs. The CHEC group thrives on adaptation and with the Winning Strategy we have established priorities and aspirations that will help guide us through the evolutions the industry undergoes in the future.

On behalf of the Association, I would like to thank the Board for its continued support and guidance. I would also like to thank our CHEC staff and our member LDCs for their commitment to the organization and to the CHEC model that grows stronger each year as we adapt and respond to the changing industry.

On the Cost per Customer measure in the OEB Scorecard CHEC LDCs, despite being LDCs with less than 30,000 customers, showed exceptional efficiencies and provided a confirmation to the value of their combined resources.

"We've done a lot to help our utilities be more efficient. And we're always on the lookout for new ways to improve. The strength of our organization is in our diversity and we benefit by bringing each utility's skills and experiences into the larger organization."

Gord Eamer, CHEC COO

Executive Summary

Executive Summary

The Cornerstone Hydro Electric Concepts (CHEC) Association has operated as a collaborative organization for fifteen years.

Over that time the collaborative model has continually improved and in 2015 the Association includes fifteen small Local Distribution Companies (LDCs) across Ontario. As participating members within CHEC, these LDCs are realizing significant cost savings and efficiency benefits through sharing resources in all areas of operations including Finance & Regulatory, Operations, and Conservation and Demand Management. This support and development of best practices enables CHEC LDCs to provide reliable, cost-effective electricity to their customers, deliver strong results to their shareholders, and remain as active, local members in their communities.

Activities in the Finance and Regulatory portfolio help LDCs respond effectively to regulatory requirements and gain access to the shared knowledge of the larger group to streamline processes and reduce costs. A key success in 2015 saw the culmination of the Rate Application Process with two CHEC LDCs filing their applications internally using the developed model. Use of the model by Wasaga Distribution and Wellington North Power resulted in significant savings in time and resources with an estimated 25 percent less time required for the completion of the application and less reliance on external consultants. Wasaga Distribution was the first LDC in the province to complete a Lead-Lag study in-house and have it approved by the Ontario Energy Board (OEB)

and intervenors. Wellington North Power was the first LDC in Ontario to utilize and receive OEB approval of the Advanced Capital Module in their Cost of Service Application.

In Operations, CHEC continued to provide improved access to training opportunities in utility operations as well as the broader work place. The Spring and Fall Safety workshops provided front line staff with utility specific training and awareness and helped ensure worker's skills across the CHEC organization are up-to-date and relevant in a changing work place. Operations' Working Groups developed two separate tools to improve worker training and safety. The Non-certified Training Assessment Tool provides a recommended schedule for re-certification of skills without a mandated re-certification period and the Electrical Utilities Safety Rule 132 Formal Risk Assessment Tool helps CHEC LDCs to maintain compliance with changing legislation and be pro-active about identifying and mitigating potential risks to their workers.

The Conservation and Demand Management (CDM) portfolio entered a transition year from the 2011-2014 Conservation Framework to the 2015-2020 Conservation First Framework. CHEC LDCs continued to deliver the provincial programs across their service territories while developing Conservation First Framework CDM Plans to commence January 1, 2016. Thirteen LDCs submitted a combined

CDM report for the original framework that was a cumulative summary of the combined annual reports submitted each year during the framework. Preparations for the new framework include the issuing of group RFPs for conservation program implementation, continuation of the Roving Energy Manager contract, and collaboration to develop and file the required CDM plans. Based on the processes developed and the strength of shared knowledge the CHEC LDCs have a solid foundation that will support the effective delivery of conservation programs in the new framework.

The CHEC association continues to be the voice of the small LDCs through active participation in the Ministry of Energy, IESO and OEB stakeholder sessions as well as responding to regulator requests for input. As members of a successful, collaborative organization they have a unique perspective to offer by providing a consensus position on industry issues. CHEC LDCs continue to share their successes with the electrical distribution industry as an illustration of the results that can be achieved through collaboration.

In 2015, CHEC developed a Winning Strategy to guide the structure of the Association as they move forward into the future. The Strategy ensures a focus on the needs of member LDCs as well as being a proponent for the value of small LDCs in the distribution of electricity in Ontario.

Who We Are

Who We Are

The CHEC Association is a collaborative organization of 15 local distribution companies that developed out of the Organized Power Group that was formed as electricity de-regulation came to the province of Ontario.

Combined, the LDCs participating in the CHEC organization serve 146,754 customers throughout Ontario, employ approximately 300 individuals, and delivered over 3 million MWh of electricity in 2015.

The Association is modeled after a co-operative that combines resources and competencies from

its entire membership to meet the requirements of the changing electrical distribution industry. Since 2000, CHEC member LDCs have benefitted from the economies of scale and best practices of the larger group while still maintaining their autonomy and relationships at a local level.

VISION STATEMENT

To be recognized as the premier LDC Cooperative in the Province, by meeting or exceeding our members' expectations through the sharing of services, opportunities, knowledge and resources.

CHEC OBJECTIVES

1. Delivering the benefits of consolidation without loss of individual control;
2. Achieving scale without relinquishing accountability;
3. Improving operating and delivery standards within each of the member companies through cost effective solutions.

CURRENT MEMBERS

Centre Wellington Hydro Limited
 Collus PowerStream Corporation
 InnPower Corporation
 Lakefront Utilities Incorporated
 Lakeland Power Distribution Limited
 Midland Power Utility Corporation
 Niagara-on-the-Lake Hydro Incorporated
 Orangeville Hydro Limited
 Orillia Power Corporation
 Ottawa River Power Corporation
 Renfrew Hydro Incorporated
 Rideau St. Lawrence Distribution Incorporated
 Wasaga Distribution Incorporated
 Wellington North Power Incorporated
 West Coast Huron Energy Incorporated

“The reason the CHEC member LDCs are thriving is because we’ve been able to access the CHEC resources for so long. I’m a huge proponent of what CHEC does and what it stands for.”

Joanne Tackaberry, Director of Finance
 at Wasaga Distribution

Governance

Governance

OVERVIEW

Cornerstone Hydro Electric Concepts is a not-for-profit corporation governed by a Board of Directors. The Board ensures CHEC achieves its objectives, is financially accountable, and is in compliance with all relevant laws, regulations and by-laws.

The Board consists of seven directors that are nominated from the member LDCs. The positions are voluntary with directors donating their time for the benefit of the Association and the continued gains realized by the member LDCs through participation in the group. The past year was a significant transition year within the CHEC Board with several new roles and individuals participating.

BOARD OF DIRECTORS AND OFFICERS OF THE CORPORATION

Chair

Ed Houghton,
Collus PowerStream Corp.

Vice-Chair

John Walsh,
Rideau St. Lawrence Distribution Inc.

Secretary/Treasurer

Dereck Paul,
Lakefront Utilities Inc.

Director

George Dick,
Orangeville Hydro Ltd.

Director

Chris Litschko,
Lakeland Power Distribution Ltd.

Director

Phil Marley,
Midland Power Utility Corp.

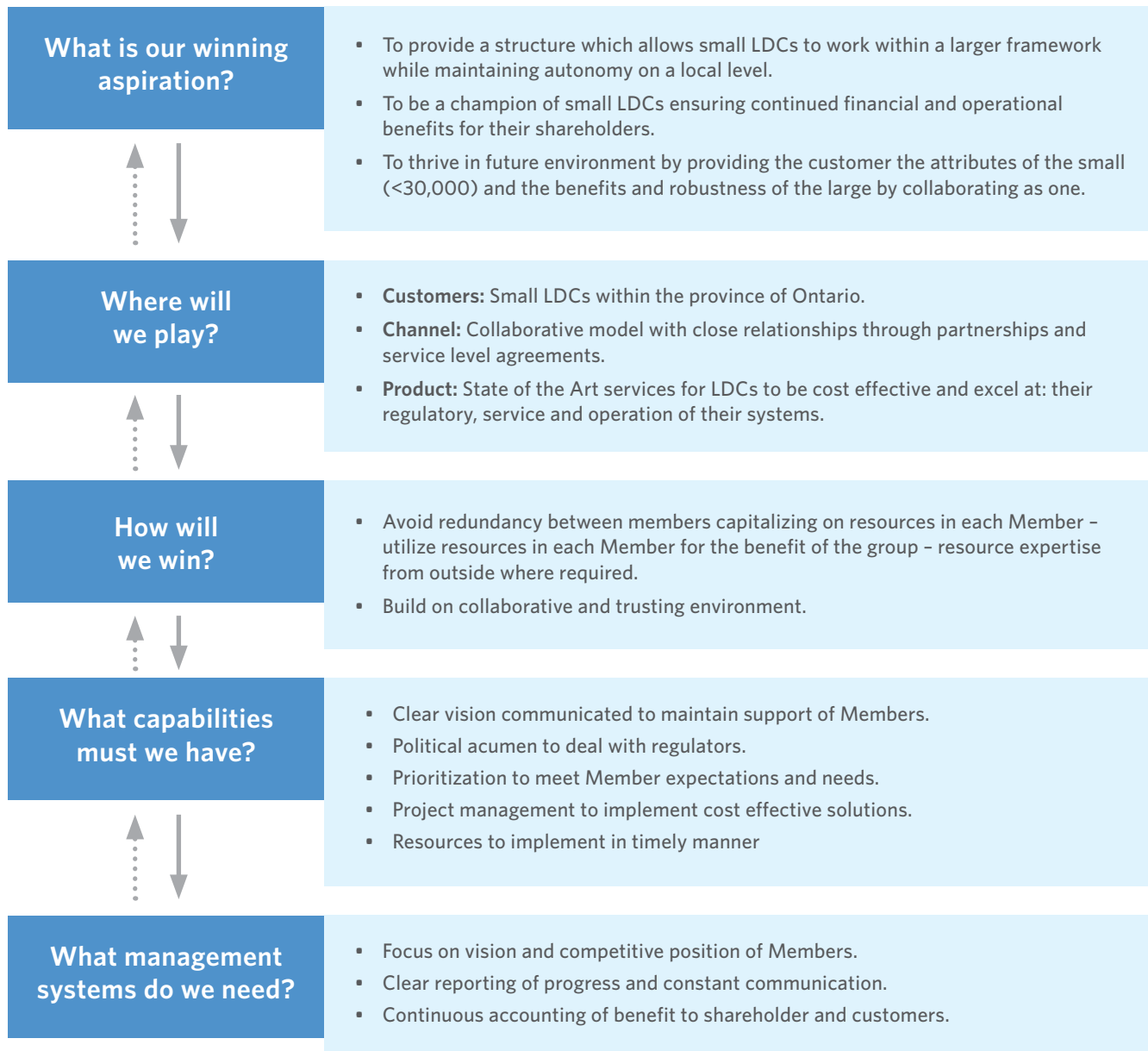
Director

Joanne Tackaberry,
Wasaga Distribution Inc.

Past Chair

Judy Rosebrugh,
Wellington North Power Inc.

The evolution of the CHEC operational model in 2015 saw the development of a Winning Strategy that establishes targeted goals and sets out actions to define structural changes that are advantageous to the Association and its member LDCs. Through an implementation plan the Strategy will guide the continued development of the Association and the services for member LDCs.



CHEC Accomplishments 2015

Finance/Regulatory

OVERVIEW

The collaboration of CHEC and its member LDCs are an invaluable resource when it comes to meeting regulatory requirements and responding to directives from the Ministry of Energy, Ontario Energy Board and the Independent Electricity System Operator (IESO).

Guided by the Finance Steering Committee, the group prioritizes its activities based on the needs of its LDCs and the regulatory changes occurring in the industry. Through its support and guidance, CHEC LDCs stay up-to-date on changing regulatory filing requirements, realize economies of scale through shared processes and resources, and benefit from the efficiencies of the internal models developed by the working groups.

INDUSTRY INPUT

Small LDCs have an important and vital role in Ontario's electricity distribution system and have a unique perspective on the pressures that currently exist in the industry. As the voice of CHEC small LDCs, members and staff participate in groups that are developing policy and making decision during the industry's evolution.

INVOLVEMENT IN 2015:

- CHEC representation on the OEB Regulatory Affairs Standing Committee (RASC) and the Industry Affairs Standing Committee (IASC) helping to set policy, standards and codes.
- Representation on three Scorecard sub-groups, Reporting and Record Keeping Requirements (RRR), Management Discussion and Analysis (MD&A), and Pacific Economics Group (PEG), developing improvements to the Scorecard Process including submissions.
- Contributions to the Rate Design Working Group for residential customers.
- Responding to OEB requests for input with multiple submissions per year on issues as requested, for example the reliability statistics used in the Scorecard process.

“We believe it’s important that the CHEC Association, as a collaborative group of small LDCs, provide input on policy and the regulations that govern the electrical distribution industry.”

Ken Robertson, CHEC Finance/
Regulatory Analyst

CHEC Accomplishments 2015

Finance/Regulatory

RATE APPLICATION PROCESS

One of the key Regulatory areas of achievement during 2015, that has substantially reduced the administration load of the CHEC LDCs, was the support within the CHEC group for the Cost of Service Application.

On-going rate application support had been available through CHEC from early on but a more formalized internal process began development starting in late 2013, cumulating with implementation of this rate process for 2014.

The Rate Application Process is a series of templates and models that provide a framework to the Cost of Service Application and allows LDCs to move quickly and efficiently through the application requirements. Rate applications often exceed 1000 pages and are a significant undertaking, particularly for small LDCs with less than 20 employees. Previously many utilities relied on the services of an outside consultant to complete the application. In addition to the framework, CHEC LDCs have on-going support for rate applications through regular CHEC rate meetings. These meetings provide an opportunity for LDCs to discuss and refine their rate applications and access the expertise of the CHEC rates specialist and the experiences of the other CHEC LDCs.

Both Wasaga Distribution and Wellington North Power filed their

2016 rate applications (filed in 2015 for 2016) using the templates and models developed as part of the process. Features include the data storage model, the load forecast model, and sample exhibits and templates. For both utilities, the use of the models and the availability of the support gave them sufficient confidence to complete the application in-house, resulting in the process taking approximately 25 percent less time than previously without the added cost of an external consultant. This provides LDCs with additional time to review the application or have it checked by a third party if required, leading to greater confidence in submitting a complete, comprehensive application.

DATA STORAGE MODEL

The data storage model makes for a smoother, more easily followed application process by providing a single location for the data that feeds the entire application. It can be populated ahead of time and allows finance staff to gather evidence and maintain the process during the years between applications.

“The 2016 Cost of Service Rate Application submission (filed in 2015) was smoother than previous rate applications because of the levels of knowledge and experience shared within CHEC. The models and exhibit templates developed by the group made the process easier and more efficient.”

Richard Bucknall,
CAO Wellington North Power

The use of the models and the availability of the support gave Wasaga Distribution enough confidence to complete the application in-house and resulted in the process taking approximately one-quarter less time than previously.

Finance/Regulatory

INTERNAL LEAD-LAG STUDY

Wasaga Distribution completed its own internal Lead- Lag study that resulted in a 2.3 % rate change and an increase in working capital of over \$300,000. Wasaga was the only LDC in the province to complete the study internally, at virtually no cost, and have it approved by the OEB.

ADVANCED CAPITAL MODULE (ACM)

Wellington North Power was the first LDC in Ontario to use and have the OEB approve the ACM in the Cost of Service Application. Wellington North Power's involvement helped define the process and set the standard within the OEB while also providing first hand insight to the other CHEC LDCs on how to successfully perform an ACM.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The OEB mandated that Ontario LDCs adopt IFRS accounting standards as of January 1, 2015. The original decision to migrate to IFRS had been deferred by the OEB since 2011. This deferral gave CHEC member LDCs, through the use of a working group, the time to incorporate IFRS requirements into their current accounting policies and practices. For example BDO was hired to create a fixed asset base that would address the componentization of assets required by IFRS standards. Although not a specific IFRS requirement, the group also incorporated the OEBs mandated asset useful life change by

the required January 1, 2013 deadline. With the bulk of the work completed ahead of time, CHEC LDCs had an easy transition, spending 2015 making only minor adjustments and confirming the correct application of the new accounting standard.

MODEL DEVELOPMENT

Through its working groups, CHEC develops internal models that assist in the tracking and filing of operational and administrative tasks. Examples include Economic Evaluation, Lost Revenue Adjustment Mechanism (LRAM), Global Adjustment and MicroFIT models, and the 1598 (GA) reconciliation process. These models save LDCs time and resources by providing short-term solutions for a LDC's more immediate regulatory and/or financial needs. Wherever possible, these short-term solutions are automated to provide a more efficient and permanent solution for the LDC.

FURTHER SUPPORT

CHEC provides a broad range of support across the Regulatory and Finance portfolio that gives all participating LDCs the benefit of shared costs and shared knowledge. Working groups included the 1598 (GA) Working Group that is developing an automated solution for the 1598 reconciliation process required by the IESO, and the Net Metering Working Group that is working on a simplified solution for processing Net Metering and MicroFIT

installations within the utilities billing system. Outside consultants were made available to the larger group with the rates consultant that continued in 2015, and with the addition of a new communications consultant.

An RFP for the procurement of credit agency services was issued through the Collections group and the Customer Satisfaction Survey saw several LDCs participating in the group RFP, benefiting from a cost-effective, professional survey implementation. The Public Safety Survey RFP was issued late in the year for survey implementation in early 2016.

CHEC continued to provide training opportunities within the portfolio and assisted LDCs in addressing issues as they arose. In 2015 that included the Ontario Electricity Support Program (OESP), the changes to Record Retention requirements, and the Regulated Price Plan self-certification among others.

Member LDCs equate the services and efficiencies provided by their involvement in CHEC as equivalent to at least one full time staff person whose skills and knowledge are spread across the entire organization.

CHEC Accomplishments 2015

Operations

OVERVIEW

Operations are a multi-faceted and highly technical area within the larger utility. Guided by the Operations Steering Committee, the CHEC group support in the operations area helps to ensure workers and customers are safe during routine maintenance and emergency repairs, personnel are meeting regulatory and training requirements, and LDCs are implementing and benefiting from the technological advances that are available.

INDUSTRY INPUT

Internal working groups respond to regulatory changes and safety requirements by providing feedback to various regulatory agencies. Once the direction is set the group then evaluates the changes and works to provide solutions that can be implemented by all LDCs. In 2015, representatives from CHEC LDCs participated in working groups such as the OEB Reliability Performance Targets Working Group, Electrical Safety Authority Public Awareness of Electrical Safety, and the Regional Planning Standing Committee.

MUTUAL AID AGREEMENT

The Operations Steering Committee updated the Mutual Aid Agreement in 2015 and distributed it to the CHEC LDCs. The agreement establishes a protocol for providing assistance between CHEC utilities in the case of an adverse weather event or an emergency response. Through the existing collaboration, CHEC line crews and staff are often already familiar with each other prior to the event which promotes an easy working relationship during the emergency response. A key element of

the agreement is a shared list of major equipment that is available from each LDC. Due to the geographical distribution of the CHEC utilities, a good probability exists that not all service areas will be affected by an event at the same time. The unaffected utilities are then available to provide assistance to the affected areas.

HEALTH & SAFETY

The Health & Safety Portfolio is the newest portfolio in the CHEC group with a full-time staff position added in 2015. The role of this portfolio and its working groups is to help LDCs navigate and adapt to changes to Health and Safety regulations and legislation both with respect to LDC operations and the broader work place.

CHEC joined the Association of Electric Utility Safety Professionals in 2015, another collaborative organization that brings benefits to the CHEC member LDCs and to the LDC industry. Key information shared at these meetings is communicated to Operations personnel to maintain industry knowledge of current news, processes and equipment.

TRAINING

One of the key areas where member LDCs contribute to and benefit from the CHEC collaboration is in the area of training where a broader more diverse range of training is available through shared training events and sharing expertise through working groups. Areas of training that occurred in 2015 included Electrical Utility Safety Rules Training, Joint Health & Safety Committee Training, and the Spring and Fall Safety Sessions.

Operations

OPERATIONS SAFETY SESSIONS

Fall and Spring Operations Safety Sessions were held in 2015 providing a unique opportunity for line crews and operations staff to benefit from a larger information session and presentations specific to the challenges of working in the utility environment. The Operations Steering Committee determines appropriate themes and presentations for both sessions.

The CHEC ON SAFETY spring session focuses on training and has been offered for three years. The topics of the four training courses offered in 2015 were:

- Occupational Health and Safety Act Review and Construction Regulations;
- Personal Protective Equipment Awareness, including Arc Flash Protection;
- Confined Space Hazard Awareness for Construction;
- Traffic Control and Backing Vehicles Awareness.

The fall session focuses on safety awareness. 2015 was the fifth year with this year's theme *Dealing with Change*. The presentations included: *Welcoming Change into Your Life*, *Confronting the Realities of Change*, *Bettering Soft Skills in a Thriving Workplace* and *Utility Safety Culture Incorporating Case Scenarios in Utility Environments*. The fall session also offers a display of vendors relevant to the line, metering and engineering areas.

“These seminars are an important resource for our crew members and the sharing of expertise continues to keep safety as our highest priority. I am impressed with what we have accomplished as a group and these kinds of opportunities (through CHEC) continue to grow by leaps and bounds”

Roy Rogers, Operations Manager,
Midland PUC

TRAINING ASSESSMENT TOOL

The Trades Training Working Group developed the Training Assessment Tool that provides a recommended schedule for re-certification for skills such as Underground/Overhead Proficiency Training or Rubber Glove Techniques that do not have a mandated re-certification period. The end result of the new tool is that the CHEC utilities now have a best practices guideline to monitor, schedule and manage non-mandated training. Further the tool helps to ensure up-to-date training for workers, operations managers have the documentation to back up budgetary requests for training dollars, and the CHEC organization can schedule training most relevant to the member LDCs.

“The Training Assessment Tool gives us a framework for managing our re-certifications. Now we know when we need to re-train and the tool is flexible enough to accommodate the specific needs of our utility.”

Brian Elliott, Manager of Operations,
Lakeland Power Distribution Ltd.

CHEC Accomplishments 2015

Operations

ELECTRICAL UTILITY SAFETY RULES (EUSR)

In 2015, the Operations Steering Committee made changes to a sample Management of Rules policy provided by the Infrastructure Health & Safety Association (IHSA) and distributed the finalized version to each LDC. The centralized development of this policy will help LDCs meet policy requirements and ensure that each LDC has a useful framework for implementing industry rules and best practices. To assist member LDCs with meeting the requirements of the 2014 revision of the EUSR Rule 132 – Work on Energized Apparatus, a Risk Assessment Working Group tailored the existing formal workplace risk assessment tool with a focus to work on energized apparatus with the risk of electrical shock and burn. Eighty-eight different tasks were assessed including the installation or removal of electrical service, working at heights and streetlight repair among others to create the EUSR Rule 132 Formal Risk Assessment Tool.

FURTHER SUPPORT

In 2015, the Operations Steering Committee evaluated Veracity, GISbiz, DESS Arc Flash Module, and Compliance Science, software platforms that were designed to provide easier, more effective utility operations whether through resource management or improved data

collection. The results were shared across all LDCs providing each LDC with an understanding of the technology's capabilities and benefits along with the required budgetary costs if choosing to implement the application.

As part of the CHEC utilities' close work with Ontario One Call the Operations Steering Committee evaluated and endorsed the Bell Alternate Locate Agreement (ALA) to ensure that licensed excavators and private individuals dig safely and responsibly. The Agreement was distributed to all CHEC LDCs. In preparation for the Ministry of Energy's Net Metering program, a CHEC working group was formed that is in the process of developing a Net Metering Technical Guide that will be a resource for LDC staff as the number of potential net metering installations increases.

“The completed formal risk assessment not only maintains our LDCs compliance with changing legislation but also allows our utilities to be proactive about identifying potential risks and mitigating those risks to keep their workers safe.”

Taylor McHugh,
CHEC Health & Safety Specialist

Conservation & Demand Management

OVERVIEW

With the Ontario Government's continued emphasis on energy conservation, the CHEC Conservation and Demand Management portfolio continues to be an important area of support. 2015 saw the extension of the 2011-2014 Conservation Framework and preparations for the Conservation First Framework (CFF) that establishes LDC specific energy conservation targets until 2020.

INDUSTRY INPUT

CHEC and its member LDCs respond to requests for feedback from the IESO as well as participate on committees and working groups to provide the perspective of the small LDC in the development and implementation of the Conservation First Framework and its associated programs. Examples activities include CHEC involvement in the Business Working Group to develop transition agreements, monitoring the effectiveness of residential programs in the Residential Working Group, and reviewing incentives to align with market pricing as part of the Retrofit Group. CHEC also provided input on the Achievable Potential Recalculation.

COMBINED CDM REPORT

In 2015, thirteen CHEC LDCs submitted a combined final CDM report for the 2011-2014 Conservation Framework to the Ontario Energy Board. The continued development of tracking models and databases assisted utilities with collecting and reporting on the data requirements and in the final stages of the report, CHEC staff provided overview services to verify the report

was complete and met the OEB requirements. Through a combined effort, all participating utilities submitted a comprehensive, complete report on-time.

Using the CDM model developed internally by InnPower and through training on the process of moving through the IESO tools required to build and submit a CDM Plan, eleven CHEC LDCs were supported in completing their CDM plans in-house with a realized savings of approximately \$20,000.

ROVING ENERGY MANAGER

During 2015 and the 2011-2014 Conservation Framework, the Roving Energy Manager (REM) provided on-the-ground conservation support for CHEC LDCs. As a shared resource, the REM helped LDC customers identify and implement energy efficiency measures, made sure customers received the incentives that were available

for specific projects, and assisted the CHEC LDCs with meeting conservation targets. In total, the REM helped 123 LDC customers for a total energy savings of 15,648 MWh.

“The success (of the REM) has been phenomenal. The individual CHEC LDCs couldn't warrant hiring an energy manager but combined the utilities had enough (energy) demand to allow for a dedicated Roving Energy Manager. Through that collaboration the utilities were able to maximize their conservation initiatives and effectively contribute to meeting Ontario's conservation targets.”

Brenda Pinke, CDM/Regulatory Manager for InnPower

CHEC Accomplishments 2015

Conservation & Demand Management

CONSERVATION FIRST FRAMEWORK

The Conservation First Framework began in 2015 with many CHEC LDCs selecting a launch date of January 1, 2016. The new framework gives a much bigger role to Ontario LDCs with each having a contract with the IESO that specifies their energy conservation goals for the 2015 – 2020 timeframe.

Many of the processes that were developed during the previous Conservation Framework have been continued for the new framework along with several new initiatives that seek to enhance the CDM process and ensure that member LDCs are supported moving into the new Framework. The CDM

Steering Committee developed three RFPs in late 2015 to test the market, drive efficiencies and assist member LDCs in implementing conservation targets. The RFPs were for the services related to the Retrofit program, Small Business Lighting Program, and the Home Assistance program. Other initiatives include negotiations with energy contractors to ensure an easy transition to the new framework, the completion of a CDM program model for LDCs looking to develop individual programs in their service areas, the development of tools to track expenditures and conservation targets, and the sharing of a CDM Plan development model.

GENERAL SUPPORT

To ensure a clear understanding of the new framework, CHEC updated CDM staff on funding, finance and regulation requirements through regular meetings and email communications. A key resource came through the meetings facilitated with IESO CDM representatives to explain the support available, discuss CDM plans, and answer questions on the transition. Another important area of activity came through the availability of support when LDCs engage new CDM staff or have a vacancy in the position. CHEC's support ensures there is continuity in programs and that staff are trained quickly and effectively to administer the various conservation programs.

“Through the input from our member LDCs, the CHEC group established effective processes for delivering conservation programs during the previous framework. Moving forward, we have the opportunity to refine and benefit from those processes and further increase our participation levels and energy saving achievements.”

Bryanna Boyd,
CHEC CDM Portfolio Specialist

The combined energy reduction for the 2011-2014 Conservation Framework for 13 CHEC LDCs came in ahead of the 2014 target by 110.7%, for a total energy savings of 132.4 GWh.

The combined savings for the REM assisted conservation projects across all participating CHEC LDCs was a peak demand reduction of 2,500 kW and an electricity consumption reduction of 15,648 MWh or the equivalent of taking in excess of 1,600 houses off the grid annually.

Moving Forward

Moving Forward

As the pressure of consolidation increases in the distribution industry, the CHEC group anticipates continued engagement from a growing number of small LDCs and an increased level of advocacy on behalf of those LDCs. There is a great deal of strength in the operation of autonomous, community based LDCs. CHEC will continue to support those operations with the delivery of resources and efficiencies that are typically associated with larger organizations but that have been developed and realized through the Association's collaborative model. It is a strong model that continues to grow stronger as the CHEC utilities adapt and meet head-on the challenges of Ontario's changing electrical utility industry.

A photograph of a winter scene. In the foreground, a snow-covered path leads towards a red stop sign on a metal pole. The background features large, snow-laden trees and a portion of a house and a red car on the left. A large, light blue diamond shape is overlaid on the right side of the image, containing the title text.

Appendix A

Financial Summary 2015

Appendix A

Financial Summary 2015

OVERVIEW

Revenues received by the CHEC Association are used to deliver a variety of programs and services to member LDCs. These programs and services ensure the organization's sustainability as it works toward being recognized as the premier LDC Cooperative in the Province, by meeting or exceeding members' expectations through the sharing of services, opportunities, knowledge and resources.

In fiscal year 2015 (FY2015 – January 1, 2015 to December 31, 2015), CHEC achieved a positive change in working funds of \$52k, a favourable variance from the budgeted decrease in working funds of \$110k. This result was due to a concerted effort across the organization to manage costs and improve efficiencies, while continuing to meet the expectations of its membership. These funds remain with the Association for future use by the member LDCs.

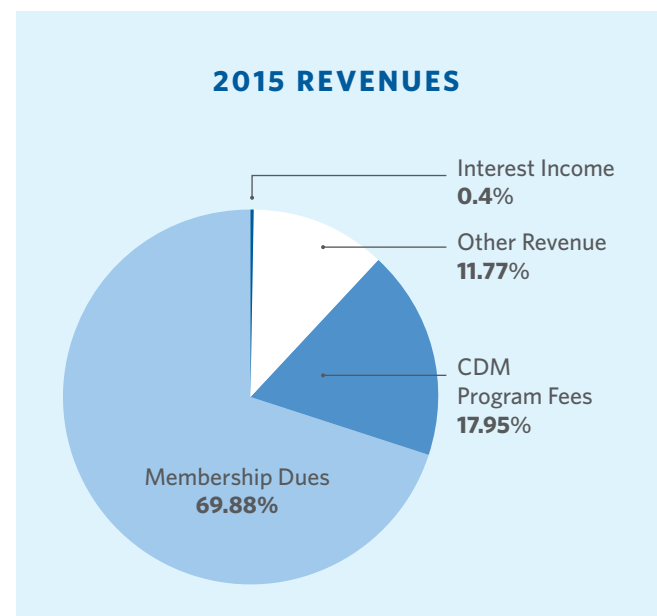
Overall, good progress was made during the past year. FY2015 saw growth in revenue from new member LDCs as well as an improvement on programs and services offered in previous years. Progress has been achieved through innovation, efficiency gains and diligent cost management. CHEC management and the CHEC Board of Directors continue to execute a multi-year strategy that includes the strategic offering of programs and services, while ensuring the organization continues to evolve to meet the demanding challenges of the industry and its members.

REVENUE

FY2015 revenue from operations was \$626k, an increase of 9% from the previous year. CHEC's revenues are primarily generated by membership dues (70%), with CDM revenues, other revenues, and investment income comprising the balance of business income.

The increase in membership dues for 2015 was a result of Niagara-on-the-Lake Hydro joining the CHEC Group in 2015. CHEC membership has consistently increased by 1 or 2 new member LDCs over the last three years. CDM Program Fees

are generated from those member LDCs who wish to participate in CHEC's CDM portfolio of services. Other revenues consist primarily of training, meeting and other services offered to member LDCs throughout the year. These services are not intended to generate a profit but are generally recoverable at a rate that will offset the expenses associated with the services. Other revenues can vary somewhat as they are dependent on the services offered in a particular year. When not required for operations, excess reserves within CHEC are invested in order to generate interest income on funds that would otherwise be sitting idle.

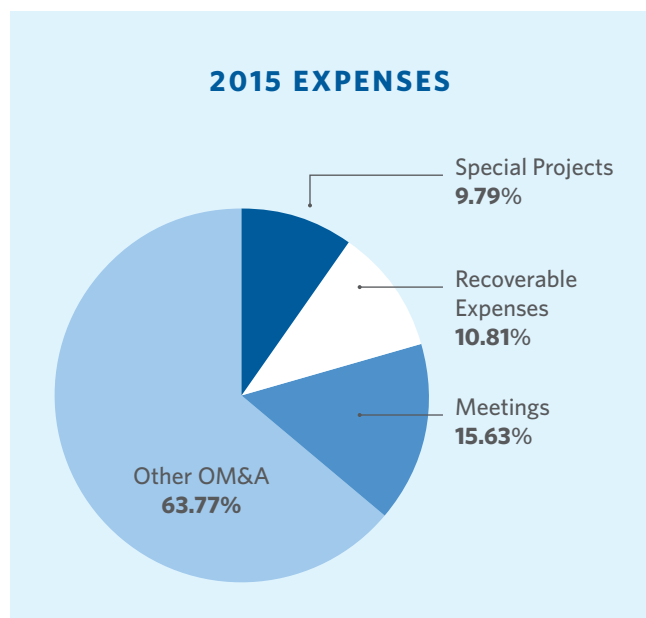


Financial Summary 2015

EXPENSES

CHEC expenses in FY2015 were \$577k, an increase of 13% from the previous year. The year-over-year increase in expenses was driven primarily by the change in special projects, which are defined by CHEC management and the CHEC Board of Directors on an annual basis. Special projects for FY2015 included the addition of a Health and Safety staff member to assist with health and safety issues and the introduction of a Communications Consultant to assist with CHEC's marketing initiatives.

Recoverable expenses and meetings are the two major expenses categories that also vary somewhat during the course of the year. Recoverable expenses are those expenses primarily related to training and special events. Meetings expenses are primarily related to a number of events that CHEC hosts during the year to promote collaboration, sharing of information and networking. Both expense categories vary as the needs of the member LDCs evolve. Other OM&A expenses constituted the normal operating expenses of the association and are relatively stable year-over year.



CHANGE IN WORKING FUNDS

In FY2015, there was a positive change in working funds before investment income of \$49k. This compares to a positive change in working funds before investment income of \$61k in FY2014. Investment income was \$2.5k compared to \$4.9k for the prior year, resulting in a positive change of working funds for FY2015 of \$52k compared to \$66k for the prior year.

STATEMENT OF FINANCIAL POSITION

The statement of financial position for CHEC remained stable, with assets exceeding liabilities by \$347k. Assets consist mainly of cash and investments, making CHEC very solvent in terms of liquidity. CHEC does not currently carry any capital assets on its financial records.

CONCLUSION

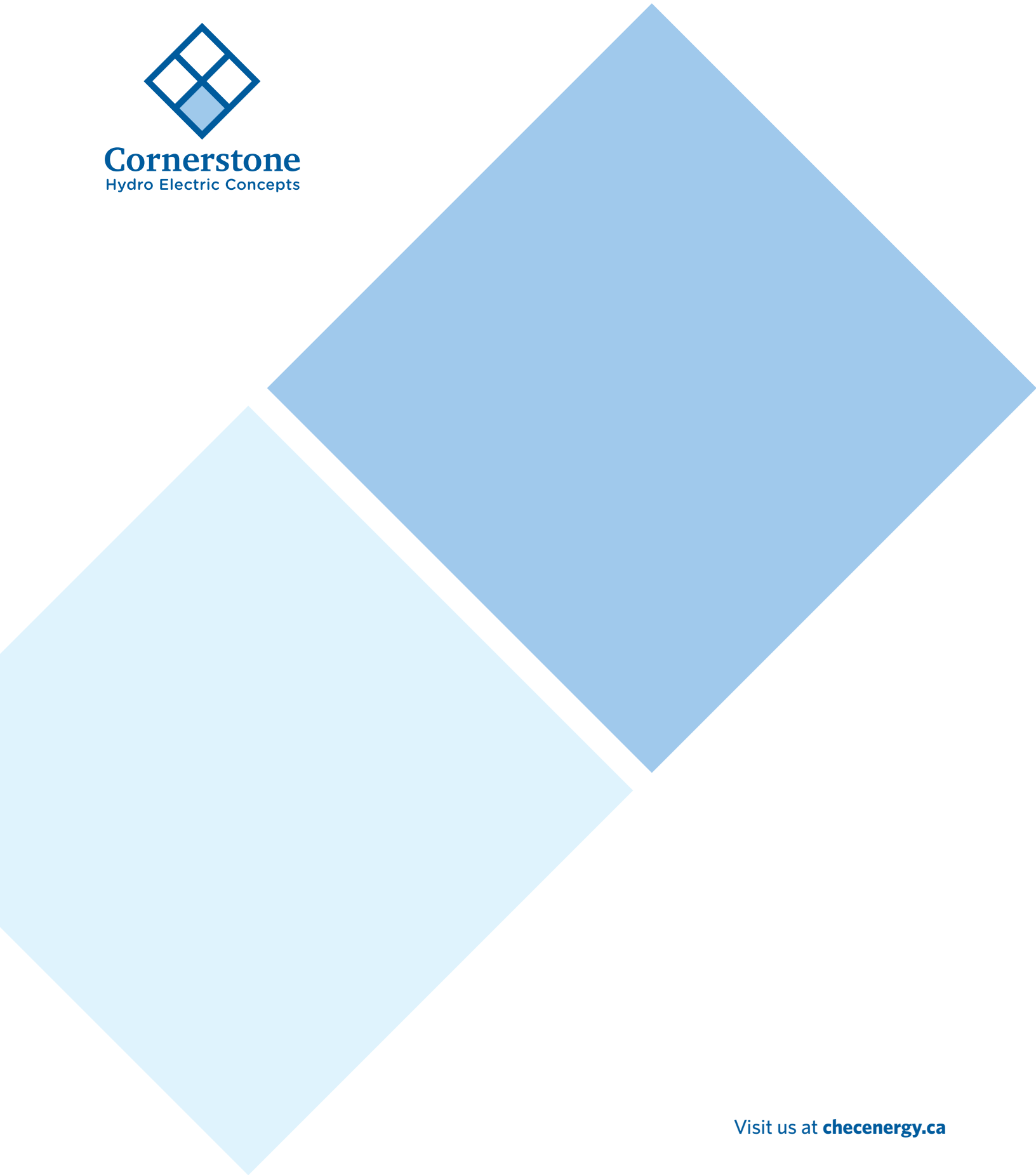
Despite some pressure on expenses, CHEC generated a growth in working funds in FY2015, primarily as a result of prudent cost control and project prioritization. CHEC continues to maintain a solid financial base to support the needs of its member LDCs and management continues to work to achieve break-even performance on operating income.

FINANCIAL PROJECTIONS

Through the establishment of the three-year business plan, CHEC expects to achieve greater predictability in financial performance and to mitigate the impact of significant factors, including special projects and regulatory mandates. This business plan is refined on an annual basis prior to commencing each fiscal year.



Cornerstone
Hydro Electric Concepts



Visit us at **cheenergy.ca**