



**2018
ANNUAL
REPORT**



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Message from the Chair

The last year has seen continued pressures on Local Distribution Companies (LDCs) stemming from changes in policy, technology, and customer expectations among others. It is difficult to find an area of member activity that hasn't been affected in some way by the on-going disruption and modernization of the industry.

During this process, CHEC has been front and centre in providing timely and much needed support to help our members respond to and manage the changes that are occurring. Specific instances of this include the Cybersecurity initiative that addressed the requirements of the OEB Cybersecurity Framework, the shared, reduced costs of the Affordability Fund Trust program, and the development of The Drug (including Cannabis) & Alcohol Policy following the legalization of recreational Marijuana. Each of these initiatives helped our members reduce costs and time spent, while addressing an issue that would have otherwise required significant staff time and resources.

CHEC acts as a strong voice on government committees and working groups. This participation ensures our unique perspective is delivered and heard by policy- and decision-makers as they make decisions that will affect how the industry and our members do business in the future. I'm pleased to

note that last year CHEC participated on over 20 initiatives, working groups and committees on our behalf.

What continues to be a constant in the Association is the hard work of the members and the staff to meet these challenges head on in a collaborative supportive environment. Through the constant contact and teamwork, the Association has achieved a level of knowledge and expertise that is unique in the Ontario Electrical Industry.

I would like to thank the members, staff and Board of Directors for their commitment to the organization, and for their vision and dedication to providing the relevant and timely resources that we all need in these changing times.

John Walsh
Chair, CHEC Board of Directors

Message from the President

At the end of my first full year with the Association, I continue to be impressed by the hard work and resource development that occurs within our organization.

In a response to the on-going change in the electrical distribution industry, we pride ourselves on being aware of and informed on the issues and changes as they develop. Our extensive involvement with government committees and initiatives allows us to be on top of the wider industry and to effectively anticipate and prepare for the support that our members will need. Of particular note in 2018 was the establishment of quarterly meetings with the Ministry of Energy, Northern Development and Mines, input on the proposed regulatory amendments for Net Metering, and participation in the OEB Modernization Panel. Internally, we maintain on-going engagement through working groups, steering committees and special events to continually identify and respond to our members needs. This involvement is crucial to our unique ability to be proactive and responsive as the industry changes.

With collaboration as our founding principle, we sought to extend that approach to the wider industry in

2018, where we forged partnership and alliances to better serve our members. The partnership with Utility Collaborative Services (UCS) brought billing and Customer Information System (CIS) support into the organization, and a collaborative partnership with CustomerFirst Inc. provides a collective voice on Energy and Conservation and Demand Management policy and programs in Ontario. Each of these partnerships has directly benefited our members and we plan to seek out and develop further alliances as we move into the future.

I'd like to thank the Board of Directors for their support during this time of change, the staff for their ability to adapt and provide what our members need, and our members for their willingness to participate in this unique organization that makes us all stronger through our united voice and experience.

John Sherin
President, CHEC



Who We Are



BOARD OF DIRECTORS AND OFFICERS OF THE CORPORATION

Chair

John Walsh, Rideau St. Lawrence Distribution Inc.

Director

Adam Giddings, Lakefront Utilities Inc.

Vice-Chair

Chris Litschko, Lakeland Power Distribution Ltd

Director

Joanne Tackaberry, Wasaga Distribution Inc.

Secretary/Treasurer

Tim Curtis, Niagara-on-the-Lake Hydro Inc.

Director

Ruth Tyrrell, Orangeville Hydro Ltd.

Director

Wayne Dyce, Centre Wellington Hydro Ltd.

< Clockwise from top:

Wayne Dyce, Ruth Tyrrell, John Walsh, Joanne Tackaberry, Tim Curtis, Adam Giddings, Chris Litschko

CHEC STAFF

President
John Sherin

CDM Portfolio Specialist
Bryanna Boyd

Finance/Regulatory Analyst
Ken Robertson

Health & Safety Specialist
Taylor McHugh

Energy Manager
Khaled Hamel

Business Solutions Analyst
Steve White

Communications Consultant
Colleen Winter

2018 CHEC MEMBERS

Centre Wellington Hydro Limited

Orillia Power Corporation

EPCOR Electricity Distribution Ontario Incorporated

Ottawa River Power Corporation

Grimsby Power Incorporated

Renfrew Hydro Incorporated

InnPower Corporation

Rideau St. Lawrence Distribution Limited

Lakefront Utilities Incorporated

Tillsonburg Hydro Incorporated

Lakeland Power Distribution Limited

Wasaga Distribution Incorporated

Newmarket Tay Power Distribution Limited

Wellington North Power Incorporated

Niagara-on-the-Lake Hydro

West Coast Huron Energy Incorporated

Orangeville Hydro Limited



Executive Summary

In 2018, there were significant changes in the requirements around how local distribution companies, including our members, operated in the Ontario electrical distribution industry (LDC).

The advent of the OEB modernization panel, the cancellation of net metering, the focus on corporate governance, and the implementation of cybersecurity requirements are just a few of the challenges our members encountered throughout the year.

**CHEC BY THE
NUMBERS 2018**

204,082 LDC
Customers

17 Member
LDCs

CHEC was front and centre collaborating with and providing support to our members as they adapted to and responded to each of these challenges. These successful supports were a small fraction of the insights, tools and shared resources that CHEC provided to its members during what sometimes felt like a year of continuous change.

CHEC's belief in a strong, collective voice led it to participate in over 20 government initiatives in 2018 including the OEB Panel on Innovation, the Cybersecurity Advisory Committee, and the IESO Mid-Term Review.

This participation led to our members' perspective and expertise being shared throughout the industry while we gained real time knowledge on the developments and changes in the industry as they occurred.

Responding and adapting to change is one of the critical supports that we provide to our members. The previous year saw resources developed around the new Cybersecurity requirements, the legalization of Marijuana and its implications in the workplace, and the Affordability Fund Trust. Our informed, proactive staff delivered timely insights and tools that allowed our members to adapt quickly and effectively to the changes as they occurred.

A core foundation of the Association is the delivery of tools and expertise to the day-to-day processes and activities of our members. Some highlights of the resources provided in 2018 include the administering of two major software upgrades in the Customer Information Systems, extending core CDM support to all members, Energy Manager services, and updating and revisions to the CHEC 1598 Models.

An extension of the multiple tools and expertise that are available to our members are the cost savings and shared resources that are one of the most powerful benefits of the collaborative model. Initiatives that delivered cost reductions and improved processes in 2018 included the CHEC Privacy Project, customizable, centrally developed Communications resources, and the Fall Safety sessions that focussed around Resiliency.

Along with the necessity of being able to adapt to change, CHEC understands the importance of developing and maintaining a strong Association that has the resources and tools in place to respond to change when it, almost inevitably, occurs. Preparing the organization for the future in 2018 included finalizing a partnership with Utility Collaborative Services (UCS) to provide billing and Customer Information System support, a collaboration with CustomerFirst Inc. around advocacy in the conservation space, and the administering of an industry wide survey that polled Ontario industry executives and senior management on their needs and expectations for the electrical distribution industry in the future.

CHEC traditionally has been perceived as an organization for small LDCs. This role has evolved in the last year, leading the Association to provide supports that appealed to larger utilities and address the common needs of organizations throughout the sector.

As CHEC continues to evolve, it expects to be at the centre of change, adapting to and supporting our members as we collectively embrace the opportunities that these changes provide.

A Strong, Collective Voice



CHEC believes in the importance of having a strong, collective voice in the Ontario electrical industry, whether its participating in an Ontario Energy Board working group or providing feedback on government initiatives.

This involvement and front row seating on the committees and panels that are shaping the industry keeps the Association current on changes and initiatives and provides the unique perspective of our members to decision makers on important issues.

**CHEC BY THE
NUMBERS 2018**

3,921,447 MWh Delivered
(excluding losses)

2 Number of new
partnerships

The highlights of CHEC participation in 2018 include:



Participation on the Cybersecurity Advisory Committee and the OEB Cybersecurity Working Group. Responding to the OEB Modernization Panel.

Participating in the OEB Approach to Innovation and responding to the report by the Advisory Committee for Innovation.

Providing input and advice to OEB staff as part of the new OEB Activity and Program Based (APB) Benchmarking Working Group.

Responding to the IESO on the Mid-Term Review to evaluate the progress of the Conservation First Framework.

Submitting comments to the Ministry of Energy on proposed regulatory amendments for Net Metering, the Green Button initiative, and the Bill Redesign.

Providing feedback to the Electrical Safety Authority on the Ontario Electrical Safety Code revision.

Establishing quarterly meetings with the Ministry of Energy, Northern Development and Mines to discuss industry issues and further develop CHEC's direct relationship with the Ministry.





Responding to Change

Change and the pace of change have become facts of life in the Ontario Electrical Distribution Industry. Each year brings new challenges and new requirements for how our members operate, how they engage with their customers, and how they deliver value to their shareholders.

CHEC, through our collaborative processes and resource sharing, embraces each change and new direction as an opportunity to better serve our members.

CHEC BY THE
NUMBERS 2018

\$127,000

Annual savings resulting
from CHEC/UCS partnership

\$243,927

Annual valuation
(updated for 2018)

Key achievements in the previous year include:

The **Cybersecurity Initiative** addressed the requirements of the OEB Cyber Security Framework that was released in December 2017. CHEC created a working group and issued an RFP to ensure participating members were in compliance with the Framework and had an action plan to be carried out for 2018.

Support for the **Affordability Fund Trust** program allowed our members to effectively deliver the program at a shared, reduced cost. Supports included providing access to Program Managers of the Fund, training sessions, and an RFP for AFT support.

The **Drug (including Cannabis) & Alcohol Policy** and training was developed following the legalization of recreational Marijuana. The policy helped our members effectively manage and address the issues that this legalization brought into the workplace and was customizable to meet each member's specific needs.

The application of the **Hours of Service Regulation** and training provided members with insights into common practices and criteria that can be used to better navigate the Regulation and whether their on call work constitutes an emergency exemption.

CHEC supplied **Tick Safety and Lyme Disease Awareness** presentations to its members along with tick kits and education materials to help address the growing number of ticks in their service areas and the potential exposure of their operations staff.

In response to the net metering requirements, CHEC and its UCS partner provided a customized solution through the development of a **standardized Net Meter configuration for billing** within the NorthStar CIS system.

Providing Tools and Expertise

One of the critical resources of the CHEC Association is the tools and expertise that we provide to our members. It includes resources that assist in their day to day activities as well as insights and subject matter expertise in all areas of utility operations.



**CHEC BY THE
NUMBERS 2018**

20+ Training sessions

20 Responses to government initiatives and participation in Committees and WGs

Developments and activities in 2018 include:



CHEC and its UCS partner **led the testing and deployment of two major software upgrades** for the NorthStar CIS and Customer Connect platforms in 2018.

The Annual Communications Day focused on fulfilling the **Customer Engagement requirements of the Rate Application** within a comprehensive Customer Engagement strategy.

Extensive support through the **CHEC Energy Manager** that included energy assessments for member customers, assistance in applying for Save On Energy incentives, and on-site support for customer events and outreach.

CHEC **extended core CDM support across all members**, to leverage the opportunities for collaboration in delivering programs in a cost-effective manner and providing assistance in achieving assigned targets.

CHEC helped **members improve their 1598 submissions** to the IESO and the Global Adjustment Analysis workflow to the OEB through updates to the 1598 procedures, the CHEC Annual Reconciliation Model, and the CHEC Monthly Model.



Reducing Costs and Streamlining Processes

Cost savings and shared resources are one of the most powerful benefits of the collaborative model. Whether it is through joint purchases, shared RFPs, the access to peer knowledge, or the development of customizable policies, saving time and costs are a key focus of all our activities.



CHEC BY THE NUMBERS 2018

4 Policies developed

12 Social media calendars provided

The initiation of the **CHEC Privacy Project** to ensure CHEC and its members have the proper tools to remain compliant with government and OEB requirements.

The 2018 theme of **Resiliency at the Fall Safety Sessions** provided strategies to help attendees navigate work and personal life demands and continue to work safely.

Delivery of **Centrally Developed, Customizable Communications** to support member's customer engagement and communication activities.

Sharing and adoption of the Working at Heights Rescue Procedure among all members to address the new requirement in the Construction Projects Regulation S. 26.1(4) and the EUSR 112(1) Rescue Operations.

The development of the **Vendor Scorecard** in the CDM portfolio to provide a clearer, standardized process to have third party vendors provide updates on the status of the various programs they are administering.





Anticipating the Future

CHEC believes in looking to the future and adapting our offerings to help our members meet the change that is occurring in the industry. We believe that partnerships and collaboration are key to the success of our members and our industry going forward. CHEC began developing partnerships throughout the industry in 2018 and initiated several new projects.



Forward looking initiatives in 2018:



The **completion of the CHEC/UCS partnership** to bring Customer Information System and Billing support within the organization provided an important new service and realized an annual savings of \$127,000.

CHEC formed a **collaborative partnership with CustomerFirst Inc.** to provide a collective voice on Energy and Conservation and Demand Management policy and programs in Ontario. The partnership represents 25 Local Distribution Companies and over 300,000 electricity customers in Ontario.

CHEC released an RFI for a **centralized Outage Management System** to address the growing expectations around customer engagement and the need to demonstrate smart grid activities in current rate applications.

The **industry-wide survey** administered in late 2018 provided insights into the current state of the industry and the main concerns of LDC executives going forward. Combined with a strategic planning session, it helped set the direction for the Association and determined the kinds of support and resources that would best serve our member needs.

Financial Summary 2018

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 meeting or exceeding members' expectations through the sharing of services, opportunities, knowledge and resources.

In fiscal year 2018 (FY2018 – January 1, 2018 to December 31, 2018), CHEC achieved a negative change in working funds of \$17.6k, a favourable variance from the budgeted decrease in working funds of \$116.0k. 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. FY2018 saw an increase in revenue from membership growth, the addition of UCS Services, as well as an improvement on other 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

FY2018 revenue from operations was \$710.2k, an increase of 9.39% from the previous year. CHEC's revenues are primarily generated by membership dues (73%), with CDM revenues, UCS Services, other revenues, and investment income comprising the balance of business income. The increase in membership dues for 2018 was a result of general dues increases from 2017 to 2018. CDM Program Fees are generated from those member LDCs who wish to participate in CHEC's CDM portfolio of services. UCS services are new for 2018, as CHEC assumed management of UCS (UCS is a third-party company with many members who are also members of CHEC). 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.

EXPENSES

CHEC expenses in FY2018 were \$727.8k, an increase of 12.32% from the previous year. The increase in expenses was driven primarily by the addition of a CDM Consultant for 2018. The CDM consultant is a new service for 2018.

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. Meeting expenses are primarily related to the events that CHEC hosts during the year to promote collaboration, sharing of information and networking. For 2018, these costs were maintained similar to the 2017 allocations. Other OM&A expenses constituted the normal operating expenses of the association and are relatively stable year-over year.

CHANGE IN WORKING FUNDS

In FY2018, there was a negative change in working funds before investment income of (\$10.4k). This compares to a positive change in working funds before investment income of \$5.2k in FY2017. Investment income was \$7.2k compared to \$3.9k for the prior year, resulting in a negative change of working funds for FY2018 of (\$17.6k) compared to a positive change of workings funds of \$1.3k for the prior year.

STATEMENT OF FINANCIAL POSITION

The statement of financial position for CHEC remained stable, with assets exceeding liabilities by \$477.3. 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.

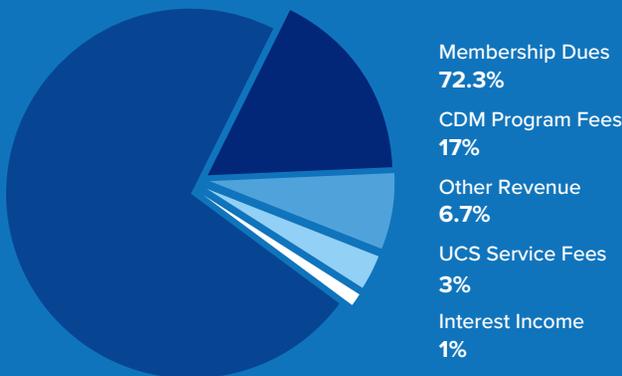
CONCLUSION

Despite some pressure on expenses, CHEC’s working funds remained relatively stable in FY2018, 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.

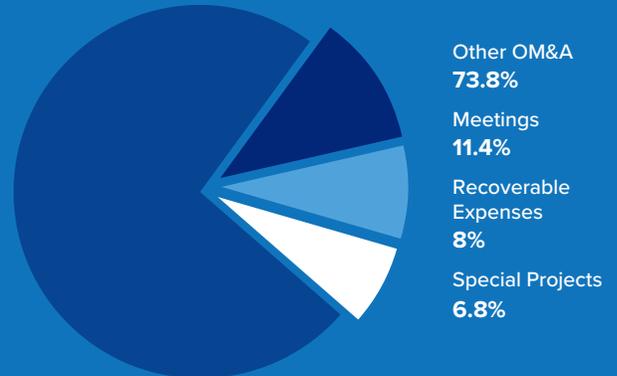
FINANCIAL PROJECTIONS

Through the establishment of a 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.

2018 Revenues



2018 Expenses





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