



networks Inc.

**OPUC**  
**2012**  
annual report

**Much more than  
keeping the lights on,**  
Steve and the team  
at OPUC manage the  
**community-based  
infrastructure assets**  
that are essential for  
Oshawa's continued success.







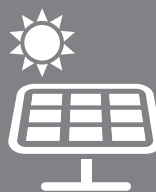
## Oshawa Power and Utilities Corporation

OPUC safely and efficiently manages its regulated electricity distribution network, revitalizing assets and ensuring capacity to provide for customers' needs both today and in the future. With a strategic focus on diversification, OPUC is making smart investments in unregulated initiatives to augment solid returns from the regulated business.



### **Oshawa PUC Networks Inc.**

OPUCN is a regulated utility that distributes electricity in the community of Oshawa.



### **Oshawa PUC Energy Services Inc.**

OPUCES develops, constructs and operates clean energy generation assets in Ontario.

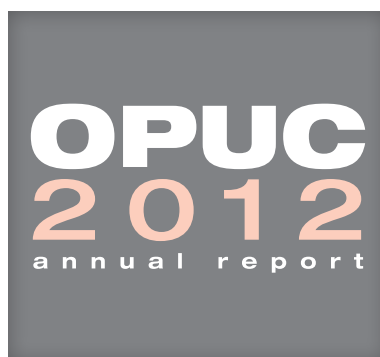


### **Oshawa PUC Services Inc.**

OPUCS provides a reliable dark fibre optics communications network within Oshawa and Durham.

### **2252112 Ontario Inc.**

2252112 develops, constructs and operates renewable energy generation assets in Ontario.



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# OPUC leadership

## Board of Directors



**Bruce Fenton**  
Chairman



**Bernie Schroder**  
Vice Chairperson



**Lou Meehan, CA**



**Marc Rosen, PhD, P.Eng**



**Ron Stewart**



**Jay Swartz, LL.B.**

## Executive Team

**Atul Mahajan**  
President & CEO

**Denise Flores**  
Vice-President,  
Engineering & Operations

**Phil Martin**  
Vice-President,  
Finance & Regulatory Compliance



## OPUC **community-based** **infrastructure** assets

Total number of customers

**54,194**

Service area

**149 km<sup>2</sup>**

Energy supplied

**1,136,211,953 kWh**

Total peak demand served

**231 MW**

Municipal substations

**8**

Total maximum rated capacity  
of all municipal substations

**520 MVA**

Number of poles

**11,202**

Overhead primary circuit length

**573 km**

Underground primary cable  
circuit length

**423 km**

Distribution transformers

**6,495**

Fibre optic network length

**86.5 km**

Output of combined  
heat and power plant

**2.4 MW**

Generation assets  
under development  
and/or operation

**3.0 MW**

Joint letter from the Chair and the President & CEO

# Much more from your utility

At its core, Oshawa Power and Utilities Corporation (OPUC) is a provider of community-based infrastructure. Our employees build and maintain a robust electrical distribution system that reliably delivers power to Oshawa households, businesses and institutions. We provide rapid and safe emergency response, often under very difficult conditions, when weather or accidents cause damage to the system and interrupt electrical supply to customers. In addition to the visible electrical grid construction and maintenance activity, our team also provides engineering design and materials procurement for system expansion and improvement. In 2012, we received 25 per cent more new subdivision applications as compared to 2011 and approximately 500 homes and businesses were added to our grid. Our office team provided courteous and knowledgeable customer support for inquiries, service changes and other requests, totaling approximately 65,000 calls and e-mails last year. Other members of our team continued to provide key support functions such as metering, fleet and facility maintenance, accounting, IT, and human resources; all dedicated to meeting our goal of safe, reliable and efficient delivery of electricity.

We have diversified our service offerings by adding other vital infrastructure services, such as: high-speed communications, essential for business today, and by producing clean electricity from large rooftop solar installations and a combined heat and power (CHP) plant – right here in Oshawa.

From a fiscal standpoint, 2012 represented a continuation on our path of strong earnings while exercising prudent and responsible management. In keeping with the corporation's established dividend policy, we are pleased to report 2012 net income of \$4.5 million and a dividend payout of \$1.7 million to our shareholder, the City of Oshawa. Year over year our net income was up by \$0.3 million from the comparable 2011 net income of \$4.2 million. Today, progressive cities need more than solid returns from their utility companies. They require a strong partner to work with them in attracting developers, industry, retailers and infrastructure providers that will help make their communities a place where people want to live, work and play. In 2012, our company worked closely with these stakeholders to bring major projects online, on time.

When the City of Oshawa rolled out the welcome mat for Oshawa's new Costco store on a former industrial site on Ritson Road North, it required close coordination with Costco, their contractors, and the City of Oshawa, to meet the tight timelines established for the store opening in the fall of 2012. The OPUC team was recognized by Costco for our effort on this important project for our community.

With OPUC investing approximately \$12.5 million in infrastructure improvements in Oshawa during 2012, our workforce was busy across the City, expanding our network to reach new customers and implementing enhancements that have made our system even more robust. This included continuing to add smart grid capabilities

to our distribution network by installing advanced monitoring and control technology as part of the scheduled replacement of two of our municipal substations. The upgraded substation on Hillcroft Street will help us provide for growth in the downtown core of Oshawa and the second upgrade of our station on Harmony Road is ready to serve growth in the northeast. This high level of capital spending on system expansion and improvement is planned to continue for a number of years to meet the needs of our customers, today and in the future.

In 2012, we were also delighted to announce that years of hard work and planning had come to fruition with the completion of sizable solar power projects

that are helping us produce green energy on the rooftops of three landmark buildings in Oshawa — Donevan Recreation Complex, Civic Recreation Complex and General Motors Centre. Electricity generated on these sites, and others in the planning stages, is sold "into the grid" under feed-in-tariff (FIT) contracts awarded by the Ontario Power Authority (OPA), a provincial government agency.

In late 2012, a blue-ribbon panel established by the Province released its report after conducting a comprehensive review of Ontario's electricity sector. They were tasked with determining the most efficient means of distributing electricity to our customers — the ratepayers. The panel's report, *Renewing Ontario's Electricity Distribution Sector: Putting the Customer First*, mentioned a few key metrics related to cost inefficiencies in our sector. However, as a result of the efforts and dedication of

“Today, progressive cities need more than solid returns from their utility companies. They require a strong partner to work with them in attracting developers, industry, retailers, and infrastructure providers that will help make their communities a place where people want to live, work and play.”



our team over many years, we are pleased to confirm that OPUC is a leader in delivering cost-efficient service. The rate at which operating costs increased within our company were about half the industry average in Ontario. The Oshawa residential distribution rates are the lowest in Durham Region and are also lower than most of the largest utilities in the province.

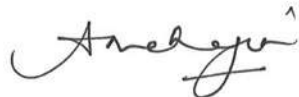
OPUC joined forces with the University of Ontario Institute of Technology (UOIT) to spark the next “eureka moment” for smart energy consumption and renewable generation right here in Oshawa and Durham Region. Together with our corporate partners in this effort, Honeywell and Willis Energy – leaders in the field of energy management services – we launched the Sustainable Future: Smart Energy Consumption and Generation student design competition. The excitement and enthusiasm we saw when UOIT and Durham Region high school student contestants presented their entries at the inaugural event in October 2012 was positive proof that the spirit of innovation is thriving in our local community.

The company and our employees continued a long tradition of community involvement. We supported worthy local and regional organizations including the Grandview Children’s Centre, Habitat For Humanity, The Sick Kids Foundation and United Way. When a group of OPUC employees became aware that the Oshawa Community Church had identified several families in need of help during the holiday season, they took it upon themselves to reach out to their colleagues. The Corporation was pleased to match their generous donations and assist the families thereby enhancing the feeling of goodwill for everyone involved.

By continuing to manage our electricity distribution, high-speed communication and electricity generation assets on behalf of the City of Oshawa in the most prudent and responsible way possible, we are ensuring that our businesses will be sustainable. Beyond this, we are stepping up in countless ways to do much more in our roles as providers of community-based infrastructure and proud members of our community. The Board and employees of Oshawa Power and Utilities Corporation are working hard to help make Oshawa an even more dynamic and progressive city for residents and businesses alike — *the place to be for decades to come.*



**Bruce Fenton**  
Chairman



**Atul Mahajan**  
President & CEO

**Atul Mahajan (left) and Bruce Fenton (right) are shown here on the roof of Oshawa’s GM Centre in front of one of the three major solar arrays commissioned in Oshawa by the company during 2012. The company owns and operates the projects, selling power generated by the panels “into the grid” under the Ontario Power Authority’s FIT program.**







**Much more than connecting new buildings to OPUCN's network,**  
Al and the engineers he works alongside are helping developers that are **creating a community where people want to live and businesses want to set up shop.**





# Revitalizing existing assets. **Building infrastructure for Oshawa's future.**

OPUC Networks (OPUCN) continues to turn a challenge faced by utilities across the province into an opportunity, **renewing its aging infrastructure in a way that incorporates advanced technology and optimizes system performance.**

Substantial investments were made to renew substations MS2, at Hillcroft Street east of Mary Street North, and MS15, at Harmony Road North and Taunton Road East. The \$3.5 million in capital improvements included the addition of state-of-the-art transformer control and monitoring, as well as vacuum breakers in the switchgear. "It was another great step towards distribution automation that enhances our system and improves customer reliability," said Denise Flores, Vice-President, Engineering & Operations. "Now, we can remotely monitor the health and loading of the transformers and, through remote operation of breakers, perform switching that quickly isolates or performs load transfers to improve restoration time and reduce overall outage duration."

OPUCN is proactively **identifying opportunities where it can enhance reliability for customers.**

In 2012, OPUCN engaged in discussions with the University of Ontario Institute of Technology (UOIT) to review plans for providing a second feeder to its north campus facility. UOIT is one of OPUCN's significant partners and an important source of innovation in the region. The redundant feeder enhancement will ensure reliable, consistent power for the more than 10,000 staff and students at the campus. Design was approved in 2012 and the scheduled 2013 summer installation will be coordinated to minimize impact on the students at the University.

The City of Oshawa continues to promote development within OPUCN's service territory. The key for OPUCN is to ensure that capacity is available to meet the needs of its customers. In keeping with its values of safety and customer focus, OPUCN included smart technology as part of its investments in underground distribution systems in 2012. The reconstruction of an underground vault in Oshawa's downtown provided an excellent opportunity to include intelligent electronic devices and remote-operated switchgear. This technology improves operational safety and allows OPUCN to continuously monitor the loading on the transformers including the primary and secondary cables. The company is now in a better position to verify existing and available system capacity.



In 2012, substantial investments were made to renew substations MS2 (shown here), at Hillcroft Street east of Mary Street North, and MS15, at Harmony Road North and Taunton Road East – **representing one-quarter of OPUCN's station infrastructure.**





**OPUCN streamlined its processes for dealing with new construction,** with invaluable input from local developer organizations.

Shown at the Falconbridge subdivision development in north Oshawa are (left to right): Denise Flores, Vice-President, Engineering & Operations, OPUCN; Emidio Dipalo, President of DRHBA; John Koke, Chair, Durham BILD; and Peter Saturno, President, Midhaven Homes.

## **BILDing strong relationships -** building a stronger Oshawa.

During 2012, OPUCN worked closely with the Durham chapter of the Building Industry and Land Development Association (BILD) and the Durham Region Home Builders Association (DRHBA) — the voice of the land development, home building and professional renovation industry in Durham Region — to listen to their concerns and help OPUCN prepare for accelerated development and new customer connections. The efforts resulted in a better understanding of the connection requirements of each group during the different phases of land development, leading to greater efficiency and fewer surprises. “We worked collaboratively with BILD to improve our processes and communications,” said Denise Flores, Vice-President, Engineering & Operations. “Our customers are important and we are willing to make things better as part of continuous improvement.”

When the homebuilding industry, through BILD and the DRHBA, first approached Oshawa PUC Networks regarding its subdivision review, design and construction processes, **we were greeted by senior staff willing to listen and respond to our concerns and priorities. I am pleased to say that we have agreed upon a set of guidelines that our industry can successfully work with and that will help promote development in Oshawa.** We will use these guidelines as an example of preferred procedures when meeting with other utility organizations.

**John Koke**  
Chair, Durham BILD



North Oshawa is set to expand and **OPUCN is ready to grow with it.**

In addition to ongoing phased subdivision activity in 2012, there were 684 new lot applications – a 25 per cent increase compared to 2011. OPUCN staff worked diligently with developers and consultants on their design proposals. In addition, OPUCN collaborated with Hydro One to effect a joint-use arrangement that resulted in the installation of OPUCN distribution infrastructure at the northern limits of OPUCN service territory. This allowed customers who were previously serviced by Hydro One to receive their electricity from OPUCN at lower rates.

**Enhancing security** will continue to improve OPUCN's network reliability.

Security was an important theme for 2012. Video cameras were installed in three of OPUCN's eight substations and connected to the company's Supervisory Control and Data Acquisition (SCADA) system. The system provides a live feed that can be viewed at the 100 Simcoe Street corporate office. The company plans to integrate other advanced station-monitoring technologies into the system, including motion sensors and swipe cards — all enhancements that will help protect assets, increase security efficiency and minimize risk.

As part of its plan to improve business continuity for IT infrastructure, the company relocated its IT server room to a “conditioned” space. In addition, OPUCN installed a redundant backup site at a location within the city with “near” instant “fail-over” capabilities.

Connecting Costco's new Oshawa store demonstrated **OPUCN's integral role in helping Oshawa grow.**

On November 28, 2012, a 146,500 square-foot Costco store opened in Oshawa on the former site of GM's north plant on Ritson Road — a transformation from manufacturing cars to handing out membership cards that Oshawa's mayor John Henry described as “changing the lives of the people of Oshawa.”

Economic development is priority one in fast-growing Oshawa. The Costco project design started in late 2011 with an ambitious connection date of fall 2012. The 1700 kW load was substantial and the project was complex, including site remediation, temporary construction power requirements, OPUCN plant rearrangements and facilitating final, permanent connection of the entire facility. With ongoing site challenges, OPUCN worked very closely with Costco to expedite the work and successfully meet the November grand opening date.



**“The Oshawa Gateway Development was on a tight deadline with a number of offsite utility relocations which were critical to meet our scheduled opening. OPUCN came to the table and fast tracked the design & approval process. The work was completed ahead of schedule and allowed for a successful opening of the centre in the fall of 2012.**

Rice Commercial Group appreciates the hard work and dedication shown by OPUCN and would like to especially thank you for delivering as promised. We look forward to our continued relationship.”

**Sean Bergeron**  
Vice President, Construction  
Rice Commercial Group  
(shown above)





Networks Inc.

**Much more than  
operating a power plant**  
that produces clean energy  
and heat for the UOIT /  
Durham College campus, Larry is  
**connecting Oshawa  
to the future of  
electricity generation.**



# Diversifying OPUC's business means **sustainability in every sense of the word**

OPUCES's investments are **showing promising results.**

OPUC Energy Services (OPUCES) is a subsidiary that plans, builds and operates clean and green energy generation assets as a way of contributing to the green economy and building on the company's strong financial bottom line.

The solar array installed on the roof of OPUC's corporate office in 2010 and the combined heat and power plant that was fired up on UOIT's campus in 2008 are performing as planned. In the news for 2012, however, was the successful installation of three major solar projects on municipally owned buildings in Oshawa, all completed under the Ontario Power Authority's FIT 1.0 program.

Experience from the smaller array on the corporate office roof served OPUCES well, providing a solid understanding of what was needed to install and manage larger projects. The first to come online in 2012 was a 40 kW solar array on the roof of the Civic Recreation Complex, installed in a record one-and-a-half weeks thanks to excellent planning and flawless execution. Next up was a 100 kW installation on the roof of Donevan Recreation Complex, followed by an impressive 150 kW solar array on the General Motors Centre which was completed in late 2012 (under less-than-hospitable weather conditions), then connected to the grid in early 2013.

OPUC's diversification strategy **reaches beyond solar power.**

OPUC Services (OPUCS) continues to offer local organizations the option of high-speed, unlimited and highly secure point-to-point telecommunications through its dark fibre optics infrastructure – boosting both the competitiveness of Oshawa businesses and returns for the City of Oshawa.

“Blazing fast information transmission has become a modern infrastructure need,” says OPUC President & CEO Atul Mahajan. “We continue to provide value to our customers with fibre optic communication infrastructure and we're well positioned to add value, both within Oshawa and the Region of Durham.”

**We will carefully engage in green energy business initiatives** to ensure that they are commercially viable and sustainable for the long run.

**Atul Mahajan**  
OPUC President & CEO



**“OPUC continues to help build a vibrant and prosperous future for Oshawa residents and businesses by growing their operations in new and exciting ways.**

In addition to reliably distributing power in Oshawa, they enable high-speed communications through their “dark optical fibre” network in Oshawa and parts of Durham Region, and I am pleased that they are now also generating solar energy and roof rent dollars for building owners.”

**John Henry**, Mayor of Oshawa (shown here, with the OPUC solar array, atop the roof of the Oshawa Civic Recreation Complex)





**Much more  
than a friendly voice  
when you call  
the OPUCN helpline,**  
Cory and his customer service  
colleagues offer Oshawa  
households and businesses  
a valuable resource to  
draw on for help in  
**making better use  
of electricity.**



# Helping customers reduce energy use and save on electricity bills

**saveONenergy<sup>OM</sup>** (SOE) conservation and demand management (CDM) programs have provided ideal opportunities for OPUCN to connect with its residential, business and institutional customers to offer them concrete **strategies, incentives and tools for better managing their electricity bills.**

The resulting relationships, learning opportunities and behaviour changes demonstrate that, by being a community-based infrastructure provider, OPUCN is doing more than just making sure electricity is flowing. SOE programs were developed by the Ontario Power Authority (OPA) in cooperation with local distribution companies across the province.

## 2012 successes in residential conservation

### FRIDGE & FREEZER PICKUP<sup>OM</sup>

OPUCN offered free pickup of old, inefficient fridges, freezers and window air conditioning units.

### HEATING & COOLING INCENTIVE<sup>OM</sup>

Up to \$650 was available to residential customers who replaced their central heating and/or air conditioning systems with qualified models.

### COUPONS / COUPON EVENTS<sup>OM</sup>

Money-saving coupons to be redeemed when purchasing energy efficient products were made available to OPUCN customers.

### peaksaver PLUS<sup>®</sup>

Participants have a state-of-the-art programmable thermostat installed on their home's HVAC system. On hot summer days when electricity demand is highest, *peaksaver PLUS<sup>®</sup>* signals a participant's thermostat to slightly reduce their central air conditioner's energy demand so that it safely uses less electricity. During such rare occasions their air conditioner's fan continues to circulate the cool air inside their home. As a thank you, participants received a free in-home energy display — a hand-held electronic in-home device (IHD) that helps them manage their household's energy use.

## Helping businesses in Oshawa obtain more than \$400,000 in energy conservation incentives in 2012.

OPUCN has worked with industry experts in delivering its commercial, institutional and industrial (CII) CDM programs since 2011. In 2012, OPUCN stepped up efforts to engage CII customers. Efforts in 2012 were focused on developing strong relationships with CII customers and laying the groundwork for important CDM initiatives that are resulting in attractive incentives for customers.



## Lakeridge Health Oshawa puts its energy in the right place with the OPA's SOE RETROFIT PROGRAM<sup>OM</sup>.

Lakeridge Health Oshawa is one of Ontario's largest community hospitals and one of OPUCN's largest energy users. OPUCN developed an innovative program that will help the hospital reduce both greenhouse gas emissions and energy costs, while modernizing critical equipment. In 2012, the hospital received pre-approval for close to \$100,000 for an interior lighting and chiller retrofit. The enhancements will reduce the facility's electricity demand by 190 kW and energy consumption by 970,000 kWh. Future projects include upgrading outdoor lighting with LED fixtures and retrofitting rooftop heating and air conditioning units.

saveONenergy<sup>OM</sup>, COUPON EVENT<sup>OM</sup>, FRIDGE & FREEZER PICKUP<sup>OM</sup>, HEATING & COOLING INCENTIVE<sup>OM</sup> and RETROFIT PROGRAM<sup>OM</sup> are Official Marks of the Ontario Power Authority. Used under licence. *peaksaver PLUS* is a Registered Mark of Toronto Hydro Corporation. Used under licence.





**Much more than  
an eager newcomer,**

Len along with the  
other apprentices and  
co-op students at OPUC are  
providing the company with

**new energy and  
fresh ideas needed  
to succeed in  
the future.**



# Attracting the **employees of tomorrow,** today

**The pace of change in the electrical industry is definitely on the rise,** and OPUCN has been evolving its corporate culture to respond in a way that will meet tomorrow's demands for a flexible, creative, entrepreneurial workforce that is willing to embrace change.

Over the next few years, OPUCN will be saying goodbye to several long-term, dedicated employees who are set to retire – a demographic fact of life that's being felt across the energy sector and is particularly challenging in companies with a large workforce. OPUCN is well positioned to evaluate each job vacancy on a case-by-case basis, examining job functions and making strategic adjustments to ensure new hires will help OPUCN meet the needs of a rapidly changing industry.

Recruitment strategies include connecting with local educational institutions to provide **student co-op placements and internships that are bringing younger people with fresh ideas into the company.**

With growth in the renewable energy sector and strategic investments in subsidiaries that are focused on generation and communications, OPUCN is embarking on an exciting journey of change – and is looking for open-minded, innovative employees to help move the company forward.

Everything that has been stable for the last 50 years in the electrical industry has already started to shift. The pace of this change is only going to increase.

**We're focused on efficiency, conscious of where we're going as a company and looking at our critical needs** so we can continue to serve the community in the best way possible.

**Nancy Brandon**  
Manager of Human Resources



Len Koech, Apprentice Systems Operator shown here (foreground) in the OPUCN control room with Ken Benson, Systems Operator.

## **A strong addition to OPUCN's control room**

It's a long way from Kenya to OPUCN's control room — a journey full of surprises for Len Koech, who joined OPUCN as an apprentice in October 2011 after upgrading his education and working for a brief time at another utility. Now, he's employed full-time in OPUCN's control room. "He's been a very positive addition to the team," said Nancy Brandon, Manager of Human Resources. "He's a perfect example of the kind of employee we're looking for at OPUCN — someone who shows initiative, is open to new ideas and is adaptable to change."





**Much more than  
a member of the  
Finance Department,**  
Brenda's volunteer work  
as a member of OPUCN's  
ergonomics team is helping  
**improve workplace  
health and safety  
for her workmates.**



# Putting employee **safety first**

While incident reporting and field observations remained key aspects of OPUCN's ongoing health and safety efforts, **new initiatives were launched in 2012** as well.

Trades staff received safety attention when a book of 18 trade- and task-specific work procedures was published at the end of the year. "It's not a dusty binder on a shelf," said Cliff Bruton, Manager, Occupational Health & Safety. "They're on all of our trucks and we refer to them in all of our safety meetings. When trades staff go out in the field and perform a task, they can refer to them as part of the job planning process."

For the third year in a row, OPUCN participated in ZeroQuest®, the Infrastructure Health & Safety Association's health and safety management system auditing program. The company achieved the Level III (Outcomes) standard in 2012, demonstrating that it has made good efforts to maintain, sustain, evaluate and correct its health and safety system.

ZeroQuest® is a registered trademark of the Electrical and Utilities Safety Association of Ontario.

**...Oshawa PUC Networks use of experienced staff to assist in the creation and review of operational standards and procedures is an industry best practice** that will ensure positive results and acceptance within the workforce.

## **Reinforcing** the safety message

Ensuring that an ongoing culture of safety permeates every aspect of the corporation has always been a mission-critical objective for everyone at OPUCN. Results from the 2012 internal responsibility system (IRS) audit confirmed that it was the ideal time for management and employees alike to take workplace health and safety at OPUC to the next level. Championing the initiative, President & CEO Atul Mahajan set up a company-wide safety meeting, followed by smaller departmental brainstorming sessions. The goal continues to be to emphasize the authority and accountability each employee has to temporarily rectify an unsafe situation and report it so permanent changes can be made to improve safety. "The IRS is really the backbone of workplace health and safety," said Cliff Bruton. "We want to make sure everybody understands what the IRS is about."



## **Finding the best fit** for office health and safety

Many months were spent assembling and training the company's new ergonomics change team — five office volunteers whose mandate is to prevent the musculoskeletal disorders that can result from a poor fit between a worker and his or her workstation. Workstation assessments began in late 2012 and will continue into 2013.

Excerpt from **ZeroQuest®**  
**Outcomes III Evaluation Report**





**Much more than  
a technician,**

Lee and the other fundraisers  
at OPUCN are strong  
supporters of the community  
organizations that are  
**strengthening  
Oshawa's  
social fabric.**





# Building a better future means **sharing with the community today**

During 2012, **OPUCN employees were familiar faces at local events and the company was a proud sponsor of community initiatives** ranging from Ribfest to Oshawa's annual Christmas Tree Lighting Ceremony.

These important community investments speak to OPUCN's strong roots in Oshawa, dedication to giving back and — since a number of the projects were suggested and coordinated by OPUCN employees — the strong value of volunteerism that is embraced by the company and in its people.

Sharing resources, for OPUCN, is perhaps less about financial support than meaningful involvement. For example, many of the events OPUCN attended in 2012 were important opportunities to reach out to customers: to share information about money-saving incentives, answer questions, brainstorm solutions and engage in meaningful one-to-one conversations. Other activities showed the power of volunteerism and the difference a few dedicated employees can make in the lives of others.

OPUCN was a **proud supporter of:**

- Grandview Children's Foundation
- Oshawa Chamber of Commerce
- Oshawa Community Health Care
- Region of Durham Cancer Support Luncheon (Regional Chair)
- United Way of Durham
- United Way of Oshawa
- UOIT Homecoming

During 2012, OPUCN **participated in:**

- Canada Day by the Lake
- Central Lake Ontario Conservation Authority
- Community outreach at department and hardware stores in Oshawa
- Oshawa Christmas Tree Lighting Ceremony
- Purple Woods Maple Syrup Festival
- Rotary Club of Oshawa Ribfest
- Santa Claus Parade



As a proud Dragon Flies Dragon Boat Festival paddler and supporter, OPUCN technician **Lee Bayley is helping raise funds for the fight against breast cancer.**

2012 was the sixth year that Lee reached out to her workmates to sponsor her all-women team of paddlers — the Trading Post Dragon Ladies (shown above) — which competed at the Dragon Flies Dragon Boat Festival. The aim of the festival is to increase breast cancer awareness and, in the process, to raise funds to support breast cancer diagnosis and treatment at four local hospitals including R.S. McLaughlin Durham Regional Cancer Centre in Oshawa. In 2012, both OPUCN and its employees contributed to Lee's cause. The emotionally charged fun-filled event was held on June 6, 2012, in Port Perry.





“In addition to providing Habitat for Humanity Durham with financial assistance towards connecting their Centre Street South project to our network, OPUCN sponsored a lunch that my Trex Girl Guide group prepared and set out for Habitat Durham volunteers at work on the project on November 3, 2012. **Thanks to my employer, my group of teenage girls was able to be a part of a grass-roots project that is helping low-income Oshawa families break the cycle of poverty.”**

**Lori Bootsma,**  
Design Supervisor  
(shown here at Habitat For Humanity Durham's Centre Street South project in Oshawa. Over the next four years, the project will see 24 energy-efficient townhouses built using environmentally responsible methods)

## Employee initiative gives holiday giving a new meaning.

When the call came from Oshawa Community Church that families were in need during the holidays, OPUCN employees opened their hearts and their wallets. The church, a downtown neighbour of OPUCN, identified two families and OPUCN staff coordinated the shopping, wrapping and delivery of festive items, including gifts for children and everything needed for a holiday feast. The company fully supported the employee-driven initiative by assisting with internal communications, setting up locations for gift and food drops, and matching donations made by employees.

## Inspiring students to think of tomorrow's energy solutions today.

OPUCN joined forces with the University of Ontario Institute of Technology (UOIT) to develop the Sustainable Future: Smart Energy Consumption and Generation competition. The annual contest, launched in 2012, challenges Grade 12 and post-secondary students from Durham Region to demonstrate how they would use technology and innovation to influence the efficient use and management of electricity demand.

“Durham Region with its dynamic industries and interest in the electrical power sector is sure to make an impact in the next generation smart grid,” explained Dr. Vijay Sood, associate professor, Faculty of Engineering and Applied Science, UOIT, and the NSERC-OPG co-chair in Innovative Design Engineering at UOIT.

Teams were invited to enter a 250-word abstract describing concrete ideas to help communities efficiently and reliably use or generate electricity. Based on their abstracts, teams were given the opportunity to submit their designs, ideas and prototypes for review by the judges. The top five candidates were asked to demonstrate their solutions at a final judging event.

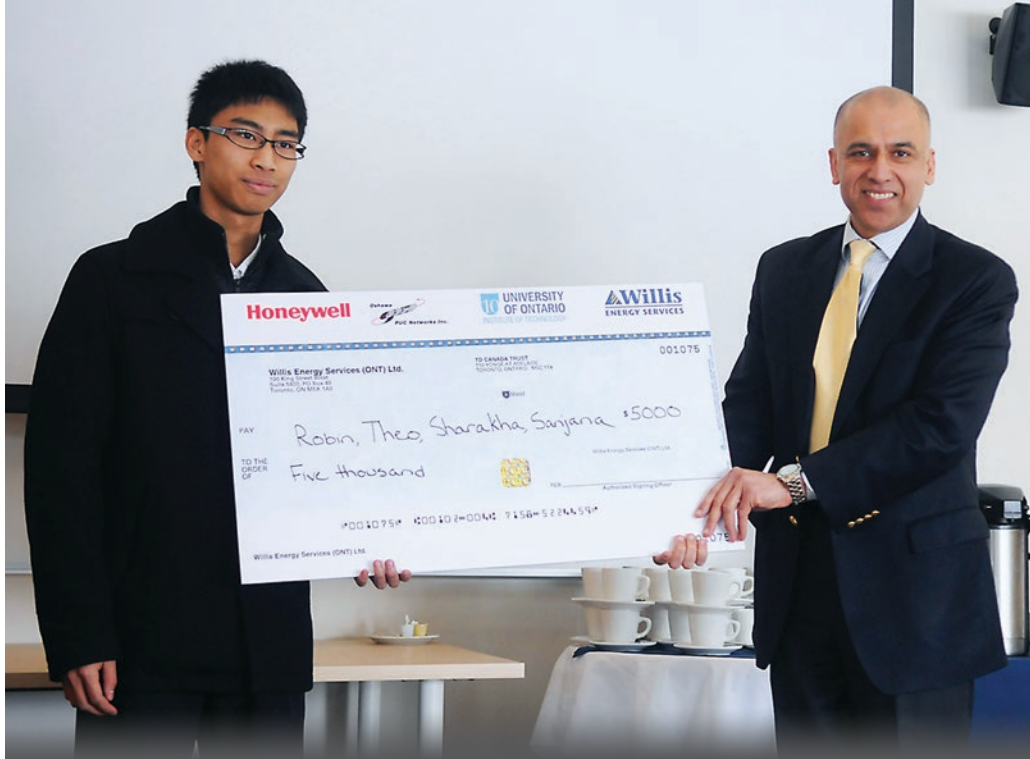
In early 2012, work began in earnest on a budget and a sponsorship plan to ensure a top-quality event. OPUCN and UOIT enlisted industry leaders Honeywell and Willis Energy Services as corporate sponsors. The judging panel included organizers and sponsors.

Prizes were \$5,000 for first place, \$2,000 for second place and \$1000 for third place. Willis Energy Services also provided a \$1,000 bursary to a student pursuing post-secondary education in an energy-related area.

## Contest developers, sponsors, local media and students gather to kick off the competition.

On April 30, 2012, the contest was launched at UOIT's Energy Research Centre. The event featured presentations given by contest organizers and sponsors. Michael Owen, BA, M.Ed., Ph.D., Professor and Associate Provost, Research, UOIT, declared in his opening address, “We anticipate that this competition will be an incubator of new ideas and new entrepreneurial opportunities for our students and our sponsors. These opportunities will promote the competitiveness of our existing companies and create new companies and new employment here in Oshawa.





And the **2012 competition winner** is...

Second-year mechanical engineering student, Robin Lau (shown here with OPUC President & CEO Atul Mahajan), and his team — Theodore Tang, Sharakha Sashikuma and Sanjana Pillai — won the \$5,000 top prize for their light and motion adapter at the awards event held in early 2013. The technology eliminates “standby power” by shutting off appliances, such as televisions, when there is no likelihood that they’ll be turned on because no one is in the room. Awards were presented on February 27, 2013 at UOIT and were live streamed by the university.

If you can imagine it, you can achieve it. **I envision that our innovative students, right here in Durham Region, can help us create a bright future to put our community on the world map as the proud incubator and host of thriving businesses focused on energy efficiency.** What Silicon Valley is to high-tech, Durham Region can be to clean-tech business.

**Atul Mahajan**  
OPUC President & CEO



**The Sustainable Future: Smart Energy Consumption and Generation competition** was launched at UOIT’s Energy Research Centre on April 30, 2012.

The event featured presentations given by contest organizers and sponsors. Shown here at the contest launch (left to right): Peter Black, Sales Leader Canada, Honeywell Utility Solutions; Dr. Vijay Sood, P. Eng., NSERC-OPG Co-Chair in Innovative Design Engineering, UOIT associate professor; Atul Mahajan, President & CEO, OPUC; and Parminder Sandhu, Managing Director, Willis Energy Services Ltd.

# Financial summary

for the year ended December 31, 2012 (Dollars expressed in thousands unless labelled otherwise)

## STRATEGIC OVERVIEW

Oshawa Power and Utilities Corporation (“OPUC” or the “Company”) and its four subsidiaries are incorporated under the Ontario Business Corporation Act and were formed to conduct regulated electricity distribution and other non-regulated operations that include generating heat and power, operating a fibre optic network and providing other energy services. OPUC is wholly owned by the Corporation of The City of Oshawa.

OPUC's four wholly owned subsidiaries include Oshawa PUC Networks Inc. (“OPUCN”), Oshawa PUC Services Inc. (“OPUCS”), Oshawa PUC Energy Services Inc. (“OPUCES”) and 2252112 Ontario Inc. (“2252112”).

Through its principal subsidiary, OPUCN, the Company provides regulated electricity distribution services to businesses and residences in the service area of Oshawa, Ontario.

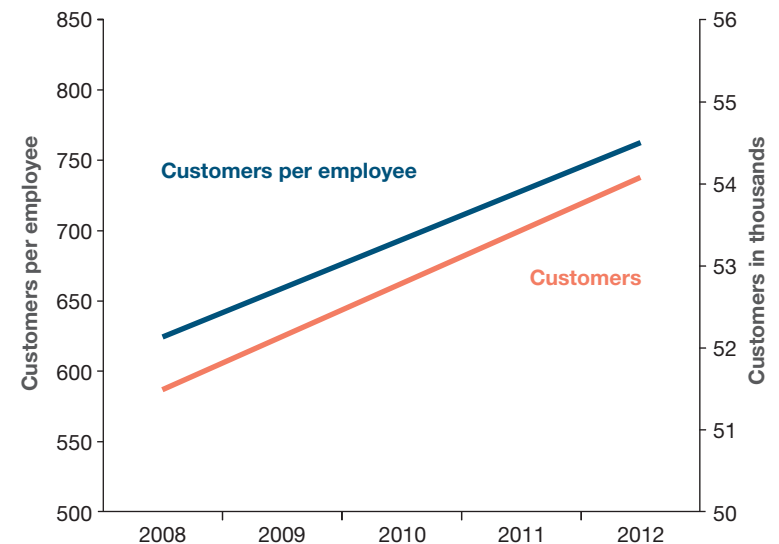
OPUCN distributed electricity to approximately 54,000 customers in 2012.

OPUCS provides dark fibre optic network connections to various municipalities, universities, schools and hospitals, enterprise and carrier customers. In fibre optic communications networks, dark fibre or unlit fibre refers to dedicated optical fibres, available for use through lease agreements.

OPUCES operates a 2.4 megawatt natural gas fired co-generation plant which provides electricity and thermal energy to Durham College and UOIT, and a small solar powered generating system with a 7 kW capacity. OPUCES is also actively investigating other co-generation opportunities within Oshawa and elsewhere in the province of Ontario.

2252112 was established to pursue renewable energy generation opportunities. Thus far, 2252112 has obtained approval from the Ontario Provincial Authority (“OPA”) for four rooftop solar panel projects in Oshawa with total capacity of 650 kilowatts (DC). Once constructed, future revenue from the four projects is estimated at \$500 per year.

### Customer growth for the past five years





## REGULATORY ENVIRONMENT

### RATE SETTING AND REGULATION

The Ontario Energy Board (“OEB”) has regulatory oversight of electricity matters in the Province of Ontario. The *Ontario Energy Board Act, 1998* (the “Act”) sets out the OEB’s powers to issue a distribution licence which must be obtained by any person owning or operating a distribution system under the Act. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

As part of its regulation of local distribution companies (“LDCs”), the OEB established a multi-year electricity distribution rate setting plan which indicated that, commencing with 2008 rates, a limited number of distributors would be identified each year to file a future test year cost of service application. The plan would run for four years enabling each LDC in the province to rebase its rates once during the four-year plan. For any of the other LDCs seeking approval to change their distribution rates, LDCs would file a mechanistic, formulaic update to their current rates based on the OEB’s incentive regulation mechanism (“IRM”).

In June 2011, the Corporation filed its cost of service application with the OEB to rebase its rates for the four year period commencing January 1, 2012. On January 10, 2012, the OEB approved the cost of service application filed by the Corporation and issued its Decision and Order for rates effective January 1, 2012.

### DEPRECIATION RATES

In 2011, the OEB obtained an engineering study on the estimated useful lives of local distributor’s property, plant and equipment (“PP&E”). The result of the study informed local distributors that the estimated useful lives of their PP&E was significantly longer than the depreciation rates previously prescribed under the OEB’s accounting standards.

Based upon the reported findings of the engineering study, the OEB is requesting that local distributors adopt the new depreciation rates commensurate with their next cost of service application for distribution rates effective in the year 2012 and thereafter. As a result, the financial impact on local distributors of adopting the new depreciation rates will be realized upon rebasing distribution rates under their next cost of service application.

As part of its cost of service application to rebase distribution rates effective January 1, 2012, OPUCN adopted new depreciation rates in compliance with the OEB requirements. This resulted in a significant reduction to depreciation expense of approximately \$2 million which was passed onto OPUCN’s customers through distribution rates.



# Financial summary

for the year ended December 31, 2012 (Dollars expressed in thousands unless labelled otherwise)

The reduction in distribution rates had the following impact on OPUCN's financial results:

- Net revenue from sale of electrical energy decreased by approximately \$2 million;
- Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") decreased by approximately \$2 million; and
- Depreciation – PP&E was reduced by approximately \$2 million.

Net Income was not affected as the decrease in revenue was offset by the reduction to depreciation.

Additionally, adopting the new depreciation rates significantly extends the period of time local distributors recover their investment in PP&E and reduces the cash flows generated on an annual basis.

## REGULATORY ASSETS AND LIABILITIES

Due to the rate-regulated operations of OPUCN, the Company is obliged to record certain amounts in its financial statements as regulatory assets and liabilities. Regulatory assets and liabilities are defined by the OEB and are generally used by rate-regulated electricity distributors to record the difference between amounts charged to customers for consumption of electricity and the cost to the distributor for that electricity. These amounts are deferred until the manner and timing of disposition through future rates charged to customers is determined by the OEB.

## REVENUE RECOGNITION

In 2012, OPUC earned rate-regulated revenue primarily from OPUCN and non-regulated revenue from OPUCS, OPUCES and 2252112.

OPUCN earns electricity distribution revenue, based on a fixed monthly service fee combined with a variable charge that reflects the consumption of electricity by its customers. In addition to the regulated distribution charges, OPUCN is required to collect from its customers funds that flow through to third-parties. These flow-through amounts include the cost of electricity, line and connection rates, retail transmission rates and wholesale market charges.

OPUCN also derives other revenue from the completion of service work such as temporary cable installations, pole rentals for third-party communication lines and other miscellaneous operational services.

OPUCS generates revenue by providing dark fibre optic capacity to municipalities, universities, schools and hospitals, enterprise customers and telecommunication carriers.

OPUCES earns revenue from its combined heat and power ("CHP") plant through 3 sources:

1. Electricity sales to the grid;
2. Thermal energy sales to Durham College and UOIT; and
3. A contingency capacity payment from the OPA.

Electricity is supplied to the grid and revenue is earned based on the volume of electricity supplied and the hourly Ontario electricity price. Thermal energy is sold to Durham College and UOIT under

contract for use in heating campus buildings and domestic hot water. The CHP plant also receives a capacity payment under contract with the OPA for periods when it is not economical to operate the plant.

2252112 owns and operates rooftop solar panel assets and receives revenue from the OPA under contracts issued through the Province's *Green Energy and Green Economy Act*.

## RESULTS OF OPERATIONS

### REGULATED REVENUE

Regulated revenue includes the sale of electrical energy net of the cost of electrical energy plus other regulated service revenue.

The following table lists the revenue generated by customer category from the sale of electrical energy provided under regulation for 2012 and 2011, comparatively:

#### Revenue by customer type for 2012

Customer Category	2012	%	2011	%
Residential	\$62,707	55%	\$59,184	52%
Commercial/Industrial	46,577	41%	50,956	45%
Large Users (greater than 5,000 kW)	3,307	3%	2,816	2%
Street Lighting	1,545	1%	1,484	1%
<b>Total Regulated Revenue</b>	<b>\$114,136</b>	<b>100%</b>	<b>\$114,440</b>	<b>100%</b>

Revenue from the sale of electrical energy was less than 1% lower in 2012 when compared with 2011; a decrease of \$304.

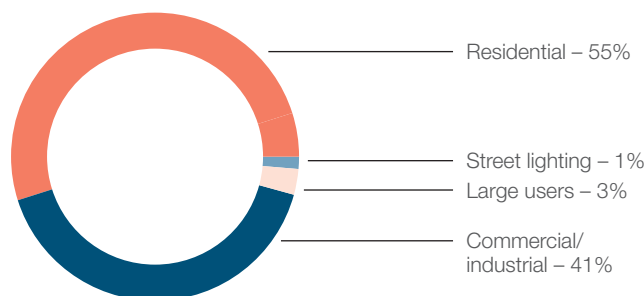
Cost of electrical energy that flows through to third-parties, including cost of electricity, transmission and wholesale charges, increased by \$1,990 and totalled \$96,100 in 2012 compared with \$94,110 in 2011; an increase of 2.1%.

Net revenue from the sale of electrical energy decreased by \$2,294 or 11.3%, and was \$18,036 in 2012 and \$20,330 in 2011.

While there was a 1.1% decrease in electricity consumption year over year, the primary reason for the reduction in net revenue from sale of electrical energy was a change in depreciation rates used in OPUCN's 2012 rate application which reduced the annual depreciation expense on property, plant and equipment, and lowered customer rates. Higher cost of electrical energy was mostly the result of increases to commodity prices.

Regulated service revenue totalled \$1,495 in 2012 and \$1,293 in 2011 resulting in an increase of \$202.

#### Revenue by customer type for 2012





# Financial summary

for the year ended December 31, 2012 (Dollars expressed in thousands unless labelled otherwise)

## NET REVENUE

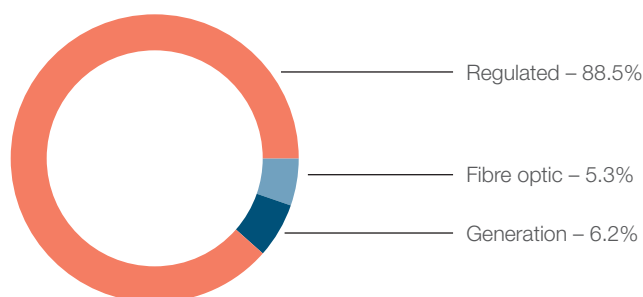
Total net revenue includes: sales from OPUCES for generating heat and power; OPUCS's fibre optic network; electricity generation from 2252112's solar panel installations; and, regulated electricity distribution services provided by OPUCN. Regulated revenue that flows through to third-parties is recorded as sales and cost of sales of electrical energy and accordingly is not included in total net revenue.

Total net revenue decreased to \$21,947 in 2012 from \$23,958 in 2011. Net revenue for 2012 included: net revenue from sale of electrical energy and other regulated service revenue totalling \$19,531 (2011 – \$21,623); energy generation in the amount of \$969 in 2012 (2011 – \$919); fibre leasing revenue of \$1,153 in 2012 (2011 – \$1,181); and \$294 (2011 – \$235) from other services.

### Net revenue by service for 2012

Service	2012	%
Regulated distribution and other service	\$19,424	88.5%
Generation	1,370	6.2%
Fibre Optic	1,153	5.3%
<b>Total</b>	<b>\$21,947</b>	<b>100%</b>

### % of total revenue by service for 2012



## NET OPERATIONS, MAINTENANCE AND ADMINISTRATIVE EXPENSES

Net operations, maintenance and administrative (“OM&A”) expenses increased by \$869 in 2012 to \$12,030, as compared with 2011; an increase of 7.8%.

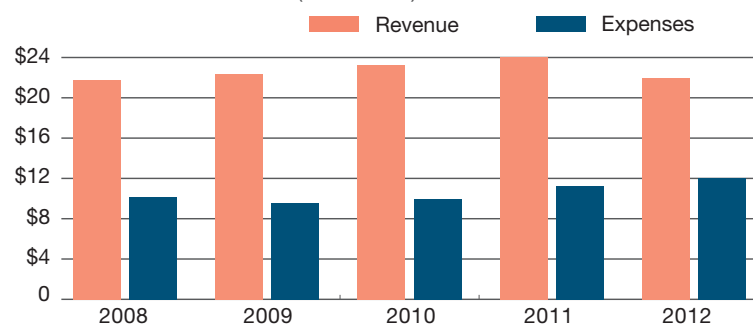
Increases in labour costs and lower allocations of costs to capital projects were the primary sources of higher OM&A expenses in 2012. Labour costs, including wages and salaries, benefits and subcontractor expenses, increased by approximately an aggregate \$500; and, allocations of costs to capital projects decreased by \$228. The remaining \$141 related to inflation and other expenditures.

As an ongoing initiative, in 2012 OPUCN strengthened its human resources in response to: new challenges and opportunities in the regulatory landscape; implementing and operating smart meters and time-of-use electricity pricing activities; safely and reliably connecting renewable generation under the *Green Energy and Green Economy Act*; and, addressing other current needs of the Company's operational goals.

Allocations to capital projects decreased in 2012 primarily as a result of changes in accounting estimates prescribed by the OEB in OPUCN's cost of service rate application.

Total net revenue decreased in 2012 relative to the recent trend due to a reduction in depreciation expense included in OPUCN's 2012 cost of service application. The reduction in total net revenue resulted in lower customer rates for 2012. Net OM&A expenses have increased in response to regulatory challenges, smart meter initiatives and the *Green Energy and Green Economy Act*.

### Total Net Revenue and Net OM&A Expenses for the Past 5 Years (in millions)



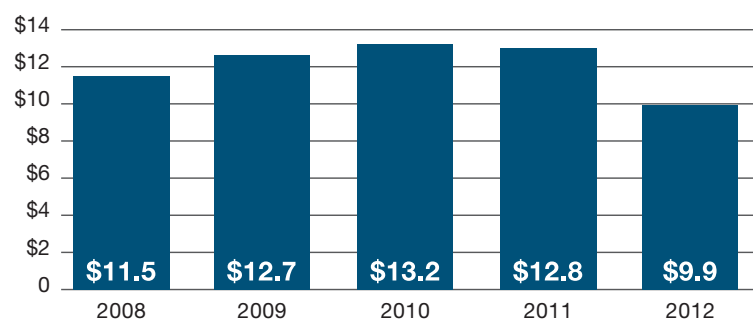
### EBITDA

EBITDA is defined by the Company as net income before depreciation and amortization, interest and provision for payments in lieu of income taxes. The Company is reporting EBITDA in the belief that it may be useful for certain readers of the Financial Statements as an important measure of the Company's performance.

EBITDA decreased by \$2,880 in 2012. Total net revenue decreased as a result of a reduction in depreciation expense included in OPUCN's 2012 cost of service application. Net income for OPUCN was not affected as the reduction in depreciation expense offset the decrease in total net revenue, as per OEB's rate setting process.

### EBITDA for the past 5 years

(in millions)



### NET INCOME FOR THE YEAR

When comparing year over year net income, it should be noted that in 2011 OPUCN recorded a non-recurring provision for deferred payments in lieu of taxes ("PILS") in the amount of \$1,208. After subtracting the non-recurring amount, net income in 2011 was \$4,190. Net income for 2012 was \$4,504 which was an increase of \$314 over comparable 2011 results.

### LIQUIDITY AND CAPITAL RESOURCES

#### CASH PROVIDED BY OPERATING ACTIVITIES

During 2012, operating activities generated \$12,670 compared with \$6,256 in 2011; an increase of \$6,414.

Cash provided by operating activities before changes in non-cash working capital was \$2,379 less in 2012 than in 2011 due mainly to the change in depreciation rates included in OPUCN's 2012 cost of service application. The change in depreciation rates resulted in lower rates charged to customers and a reduction to annual cash flows to OPUC.

Changes in non-cash working capital increased cash provided by operating activities in 2012 by \$3,340 compared with a decrease of \$5,453 in 2011. This represents a total change in the amount of \$8,793.

The primary difference is due to a \$5,942 decrease in regulatory liabilities, net of regulatory assets. Cash used in 2011 for regulatory liabilities, net of regulatory assets included investments in smart meters and supporting time-of-use systems which accounts for most of the year over year difference.



# Financial summary

for the year ended December 31, 2012 (Dollars expressed in thousands unless labelled otherwise)

The net change in other non-cash working capital items totalling \$2,851 accounted for the remaining difference.

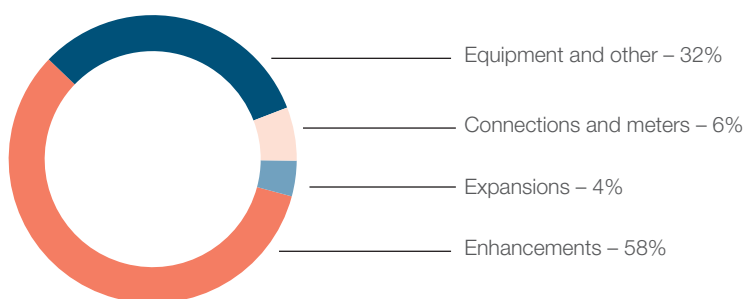
## CASH USED IN INVESTING ACTIVITIES

The net decrease in year over year cash used in investing activities was \$2,956. In 2012, \$12,232 (2011 – \$9,509) was invested in property, plant and equipment; primarily system enhancements and equipment. This increase in capital expenditures for 2012 was offset by \$5,566 received from a Government of Canada Treasury bill that matured in 2012 and was not renewed. By comparison, the Treasury bill was renewed in 2011 and used \$91 in cash. The remaining difference of \$22 resulted from the change in upstream capital improvements.

In 2012, approximately \$5 million more was spent on enhancements and expansions than in 2011. In 2011, OPUCN was required to invest approximately \$5 million in the Province's smart meter initiative.

In 2012, OPUCN made significant investments in their substations to replace aging assets and mitigate capacity issues.

### Capital spending by category for 2012



## CASH USED IN FINANCING ACTIVITIES

Cash used in financing activities decreased by \$2,075 due primarily to a decrease in customer advance deposits in 2011 resulting from changes in regulations issued by the OEB.

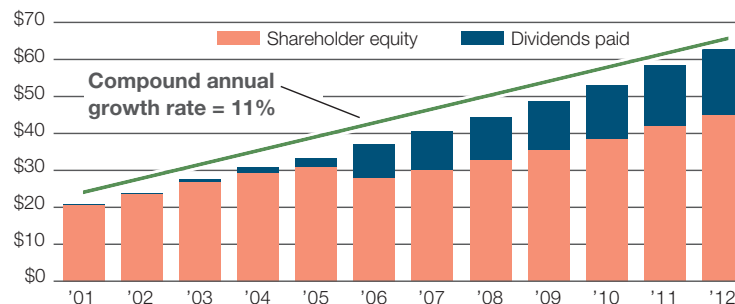
In 2012 and 2011, the Company made dividend payments to its shareholder in the amount of \$1.7 million and \$1.6 million, respectively.

## SHAREHOLDER VALUE

Shareholder value is a term used to define the Company's shareholder equity plus cumulative dividends paid (unadjusted for accumulated other comprehensive loss; that is, mid-contract gains or losses on financial instruments used to provide interest rate certainty). Cumulative shareholder value as of December 31, 2012, has increased to \$63.2 million which represents a compound annual growth rate ("CAGR") of approximately 11% since 2001.

The following chart is the cumulative shareholder value since 2001 and portrays an important trend reflecting a healthy increase due to efforts of a dedicated team:

### Shareholder equity and cumulative dividends paid (in millions)



## OUTLOOK

### RATES

OPUCN continues its efforts to contain costs and make prudent investment decisions while remaining focused on providing safe and reliable services to its customers. As a result, OPUCN maintains the lowest residential distribution rates in Durham Region and one of the lowest rates in the Province.

Looking ahead to meet the needs of a growing city and to plan for expansion of Highway 407, OPUCN has identified a need to invest aggressively in expanding and renewing its infrastructure and has forecasted an annual average investment of approximately \$12 million over the next five years. This intensive investment program combined with lower OEB regulated returns will lead to pressure on OPUCN's returns in the short term. However, the Company is confident that the prudent investments in infrastructure required to service the needs of its growing community will provide superior financial returns in the future while upgrading and modernizing the distribution grid.

### CONSERVATION AND DEMAND (“CDM”) MANAGEMENT

As one of the provisions of the *Green Energy and Green Economy Act* (“GEGEA”), the Minister of Energy and Infrastructure has set provincial targets for reductions in peak demand and energy consumption for the province. These targets cover the period of 2011 through 2015 after the OPA approved a one year extension to the program.

As a result, the OEB has set individual CDM targets for electricity distributors to reach the provincial targets. These individual targets have been incorporated into distributor licenses. Oshawa's targets will result in reductions of approximately 5% in both demand and consumption, from current levels, by the end of 2015.

### SMART GRID

The GEGEA also makes provision for the development of a smart grid in Ontario. The term refers to the advanced information exchange systems and equipment used to improve the flexibility, security, reliability, efficiency and safety of the integrated power and distribution systems. The main goals of developing such a system include increasing the use of renewable energy sources and technology, providing better price information and load control to electricity users, and accommodating the commercialization of emerging technologies for the benefit of Ontario consumers. To this end the Minister of Energy and Infrastructure has directed the OEB to provide guidance to distributors concerning the preparation and approval of individual smart grid plans. All distributors will have to design and implement these plans.

In consultation with stakeholders, the OEB has noted that additional work is required in some areas (i.e., investment planning, regional planning, innovation, and measuring performance) to implement the OEB's guidance regarding smart grid as part of the OEB's integrated approach to electricity system investments and planning.

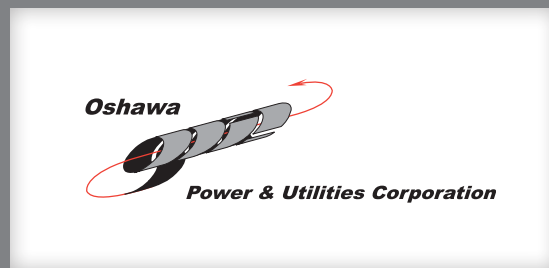
### SUMMARY

OPUC will continue to focus on developing and improving its distribution grid reliability, safe work practices and customer centric values.

Fulfilling the mandate to supply electricity to the residents of The City of Oshawa at competitive rates continues to be the key objective of the Company. OPUC plans to continue development of its core business while diversifying and growing other business units that include renewable energy and fibre optic communications on a cost-effective basis.

OPUC will take a responsible approach to new business development that will leverage its current strengths, comply with regulatory requirements defined by the OEB and capitalize on opportunities presented in its business environment. Strategically, the Company plans to diversify its business lines by focusing on low-risk, compatible opportunities that offer long term stable returns for its shareholder.





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