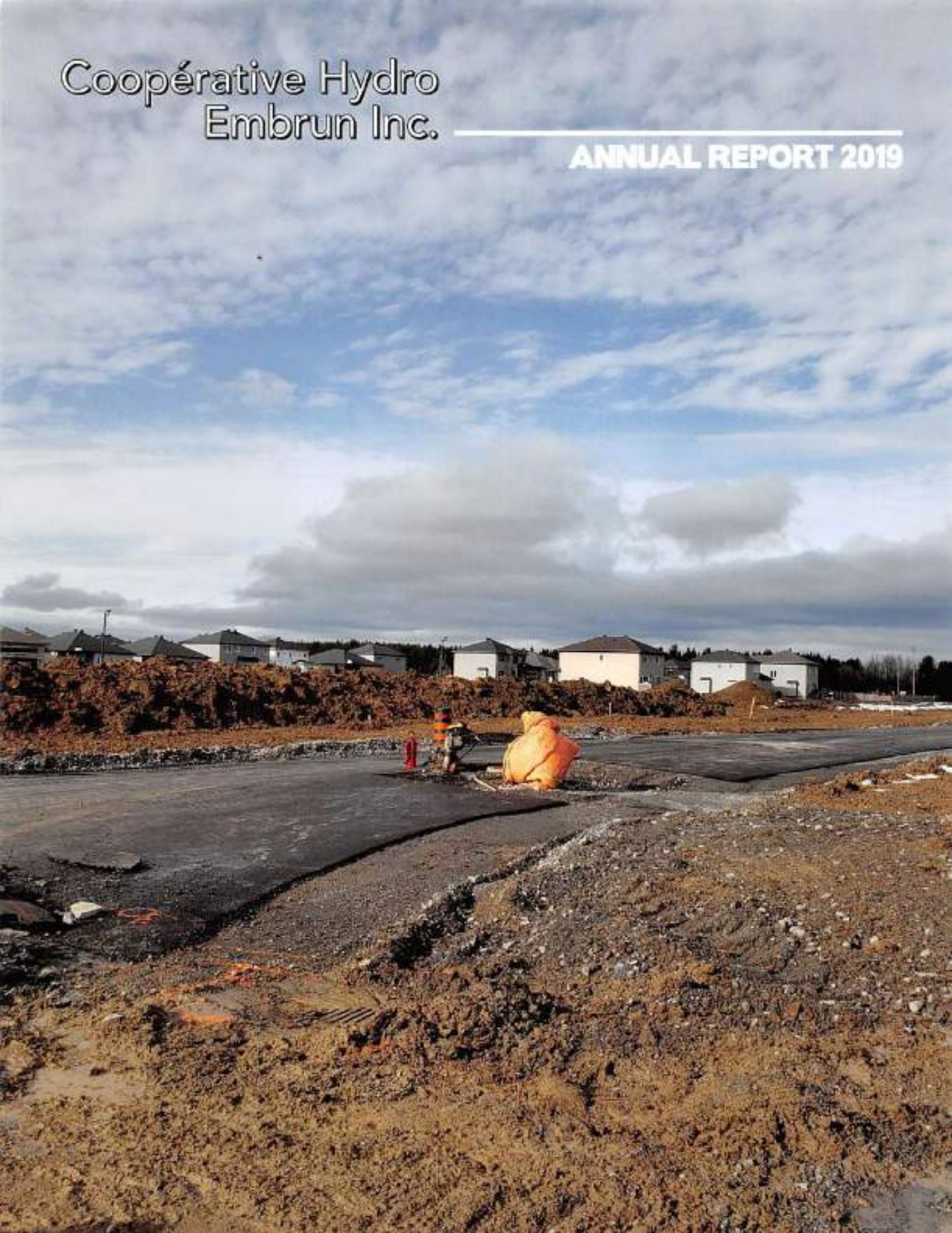


Coopérative Hydro Embrun Inc.

ANNUAL REPORT 2019



SUITE 200, 821 NOTRE-DAME STREET
EMBRUN ON K0A 1W1

BUSINESS HOURS

Monday	9:00 a.m. to 5:00 p.m.
Tuesday	9:00 a.m. to 5:00 p.m.
Wednesday	9:00 a.m. to 5:00 p.m.
Thursday	9:00 a.m. to 5:00 p.m.
Friday	9:00 a.m. to 5:00 p.m.

STANDBY SERVICE IN CASE OF A POWER OUTAGE
24-HOUR SERVICE

Telephone:	613 443-5110
Fax:	613 443-0495
Email:	info@hydroembrun.ca
Website:	www.hydroembrun.ca
Facebook page:	Coopérative Hydro Embrun

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NOTICE OF MEETING

We hereby invite you to Coopérative Hydro Embrun Inc.'s Annual General Meeting to be held:

Tuesday, April 14, 2020, 7:00 p.m.

6 Forget Street, Embrun

Only members and their spouses can attend the Annual General Meeting.

Jean Martel
President

Jean Gauthier
Secretary

ADMINISTRATORS – 2019

BOARD OF DIRECTORS

JEAN MARTEL	President	2021
JEAN GAUTHIER	Secretary	2020
PIERRE CARRIÈRE	Administrator	2019

STAFF

BENOIT LAMARCHE	Executive Director
BRIGITTE LAROCQUE	Administrative Coordinator
LUC PRÉVOST	Collections Officer/Customer Service

DISTRIBUTION SYSTEM CONTRACTOR

SPROULE POWERLINE

ENGINEER

STANTEC CONSULTING GROUP

FOUNDING MEMBERS

GEORGES CARDINAL	LUC BRUYÈRE
CAMILLE PICHÉ	JEAN LESSARD
JEAN MARTEL	LUCIE LAPOINTE
JEAN-PAUL LAFRANCE	PIERRE CARRIÈRE
DIANE ROY	

AGENDA

- 1) Call to Order and Quorum
- 2) Adoption of the Agenda
- 3) Approval of Minutes – Annual General Meeting Held on April 16, 2019
- 4) Board of Directors' Message
- 5) Highlights — Statistics — Social Audit
- 6) Auditor Report and Financial Statements Overview
- 7) Appointment of Auditors
- 8) A Word from the Executive Director
- 9) Dividends
- 10) Bylaw Amendments
- 11) Election to the Administrator Position
- 12) Donation to Township of Russell Recreational Complex Project
- 13) Farewell Message from Mr. Pierre Carrière
- 14) Question Period
- 15) Attendance Prizes for Members
- 16) Adjournment of the Meeting

A light lunch will be served.

MINUTES

18th Annual General Meeting held on Tuesday, April 16, 2019

Member Registration

Member registration from 6:30 p.m. to 7:00 p.m.: Félix Lalonde, Pierre Carrière, Brigitte Larocque, Jean Martel, Alain Viau, Raymond Fortin, Georgette Bisillon, Jeannine Duval, Jean Gauthier, Réjean Gervais, Claude Bastien, Hélène Doré, Claudette Doré, Jeannette Marcil, Thérèse St-Amour, Raymonde Thibault, Louise Ménard, Marie-Berthe Bourdeau, Claire Dausat, Juliette Bourdeau, Denis Brisson, Francine Martel, Louis Bourdeau, Mariella Richard, Jean-Jacques Arcand, Maurice Godard, Laurent Laplante, Michel Provost, Albert Bélanger, Giovanni Damato, Paul Roy, Jean-Paul Leroux, Huguette Clément, Robert Lavigne, Pierre Potier, Jacques Maheu, Daniel Clément, Claude Clark, Diane Carrière, Dolores Brisson, Thérèse Ménard, Maurice Lafrance, Jacqueline Lanthier, Bernard Racine, Marcel Perras, Hélène Grégoire, Richard Clément, Jean Murphy, Jean-Yves Dionne, Diane Ménard, Laurent Vincent, Oscar Forgues, Léonard Guénette, Aurel Major, Laurent Rhéault, Chris Humeniuk, Rachel Levesque, Marcel Blanchard, Germain Cadieux, Sylvia Lachance, Agathe Pilon, Claude Brisson, Claude Grégoire, Claude Lafrance, Patrick Thérien, Gérard Lemieux, Roger Goulet, Gilles Gratton, Jean-Maurice Gaudreau, Daniel Lafleur, Ron Thériault, Daniel Piché, Alain Lanthier, Edgar Brisson, Maurice Lemieux.

Other participants: Benoit Lamerche, executive director of the Cooperative, Sylvain Levac, BDO, Rita Gervais, Diane Arcand, Diane Levesque, Pierrette Bourgie, Marc Ryan, Kevin Di Valerio, Lorraine Laplante, Michèle Gervais, Marie-Jeanne Bélanger, Éva Landry, Fernand Bourdeau, Denis Arcand, Rita Gervais.

1. Call to Order and Quorum

Mr. Jean Martel began the meeting at 7:15 p.m. by welcoming members to the 18th annual meeting and thanking them for their consistent presence. After reading the notice of meeting, 75 members were present.

2. Adoption of the Agenda

Mr. Jean Martel presented the agenda.

Proposed by Réjean Gervais

Seconded by Jeannine Duval

That the agenda be adopted as presented.

Accepted.

3. Approval of Minutes – Annual General Meeting Held on April 18, 2018,

Mr. Jean Martel presented the minutes of the meeting.

Proposed by Jeannine Duval

Seconded by Giovanni Damato

That the April 18, 2018, meeting minutes are adopted as presented.

Accepted.

4. Board of Directors' Message

M. Jean Martel reads the message, starting with the Cooperative's mission. He explains the purpose of a cooperative, as described in the *Ontario Co-operative Corporations Act*.

He continues by listing the changes that Doug Ford's government wants to implement. He also mentions the Ontario Energy Commission's study on the governance of the Board of directors of electricity distributors.

M. Martel explains that the 33% transfer tax exemption granted to distributors with fewer than 30,000 clients ends on December 31, 2022.

In conclusion, he mentions that a study was conducted by the Board of directors in 2018 to determine the pros and cons of selling the Cooperative's assets, and that it was up to the Cooperative's members to determine its future.

Questions and comments:

M. Patrick Therrien, representing Coopérative agricole d'Embrun, asks if the study is complete, whether it was conducted internally and at what cost.

The involved expenses are shown onscreen by Mr. Félix Lalonde.

M. Therrien presents two documents, a letter from Société Professionnelle Jean Martel that the Coop agricole received stating that the Coop agricole cannot, by law, proceed with a merger, and a message sent to members regarding his nomination.

M. Therrien mentions that this is a lack of impartiality and a conflict of interests, according to Article 3.4 of the Bar's code of ethics, which mentions avoiding conflicts of interests.

M. Martel replies that the Cooperative's Board of directors passed a resolution to retain his services, as he is one of the only francophone lawyers in Ontario with electrical expertise.

M. Therrien questions the \$33,000 salary for directors, as opposed to \$27,000 for the Cooperative agricole.

M. Carrière mentions that the directors work many hours; he himself works over forty hours a month, and the salary is well deserved.

Proposed by Michel Provost

Seconded by Jean-Jacques Arcand

That the Board of Directors' Message is approved.

Accepted.

5. 2018 Highlights

Mr. Jean Gauthier summarizes the 2018 highlights:

- The financing agreement that has been reached with Caisse populaire Nouvel-Horizon for \$714,242.61;
- The Greensaver report for the 2015–2017 conservation plan;
- The recognition given to Pierre Carrière;
- The Quasar firm report asserting the Cooperative's compliance with Ontario Regulation 22/04;
- Hydro One extends the agreement in case of a major outage;
- The Cooperative proceeds to improve the Scada system with the K-Line firm;
- The government announces an extension on the tax transfer;
- The Board of directors passes a resolution to repay \$100,000.00 on the bank loan;
- 62 new connected service points are now operating.

Statistics

Mr. Benoît Lamarche presents various graphs:

- A comparison of residential rates;
- Capital expenses for 2014–2018;
- Historical comparison of energy costs;
- Number of clients per distribution company;
- Energy costs per distribution company;
- Kilowatt hours sold to various categories for a total of 29,345,468 kWh for 2,323 clients;
- Dividends paid since the Cooperative's inception

QUESTION:

Mr. Patrick Therrien asks, in regards to the energy costs by distribution company, how operation fees can be maintained.

The Executive Director mentions that the operation fees are approved by the Ontario Energy Commission, and that a budget is prepared annually.

Mr. Therrien suggests different ways to cut costs and mentions that the Coop agricole could help out by offering free space and administrative support.

Mr. Jean Martel mentions that for the past 20 years, we've been repeating that we're a micro-distributor. We cannot expand our coverage or purchase another distributor because of our small size.

Mr. Maurice Godard requests an explanation of the table on page 16 listing the contributions and grants.

The Executive Director mentions that the amounts listed in this category mainly stem from the developer's contribution when creating a subdivision plan.

The Executive Director analyzes the energy costs for 2013–2019.

M. Oscar Forgues compares Hydro One costs with those of Coopérative Hydro Embrun and mentions that it would be impossible to receive French-language services with Hydro One.

M. Martel adds that the Cooperative is rated #1, because it is more efficient, but it's harder since all providers operate on a contractual basis, which can be a weakness.

Social audit

Mr. Pierre Camière sums up the social outcomes:

- After 18 years, the Cooperative is thriving, even in the face of all its changes. The directors have protected the interests of the Cooperative's members;
- The directors have contributed to developing human resources;
- Donations are made to various local organizations;
- The Cooperative is actively involved in the community's progress.

Proposed by Maurice Godard

Seconded by Jean-Maurice Gaudreau

That the highlights, statistics and social audit be adopted as presented.

Accepted.

6. 2018 Auditor Report and Financial Statements Overview

Mr. Sylvain Levac, BDO Auditor, presented the Auditor Report and Financial Statements as they appear in the 2018 annual report.

Proposed by Jacques Maheu

Seconded by Laurent Laplante

That the 2018 Auditor Report and Financial Statements are adopted as presented.

Accepted.

7. Appointment of Auditors

The President informed the participants that the Cooperative had not received any proposals for the appointment of a new auditing firm. Accordingly, he requested a proposal to confirm BDO as the auditor of Coopérative Hydro Embrun Inc. for the year ending December 31, 2019.

Proposed by Jean-Paul Leroux

Seconded by Claude Brisson

That the firm BDO is appointed as auditor of Coopérative Hydro Embrun Inc. for the fiscal year ending December 31, 2019.

Accepted.

8. Presentation by Assistant Director

Félix Lalonde, assistant director, presents the Cooperative's portal.

Proposed by Maurice Godard

Seconded by Mariette Richard

That the assistant director's presentation be adopted.

Accepted.

9. A Word from the Director General, Benoît Lamarche

Mr. Lamarche presents the 2019 capital budget and reports on power outages in 2018.

Comment:

Mr. Michel Provost mentions that clients aren't informed of power outages. He also mentions that Hydro One has a system to inform its clients of power outages and let them know when the power will return.

Proposed by Michel Provost

Seconded by Raymond Fortin

That the Director General's report be accepted as presented.

Accepted.

10. Ratifying and adopting the dividends to be distributed

Mr. Jean Martel read out the proposal from the meeting of administrators held on March 22, 2019.

Proposed by Pierre Carrière, seconded by Jean Gauthier.

That the dividends to be distributed for 2018 be 14.19% of net benefits before taxes in the amount of \$35,000, as of December 31, 2018. The dividend amount also represents 5.12% of the distribution costs (\$684,243.47) paid by the member. This proposition will be submitted for approval at the Annual General Meeting on August 16, 2019.

Proposed by Jeannine Duval

Seconded by Jean-Paul Leroux

That the dividends to be distributed be adopted as presented.

Accepted.

11. Merger offer received from Coop agricole d'Embrun ltée

M. Jean Martel explains that, as pertains to the Coop agricole's merger offer, it is legally impossible for the Cooperative to merge with another company, unless it was another electricity distributor. M. Martel also explains that a merger with another electricity distributor would require assent from the Township of Russell, pursuant to a contract signed with the Township when creating Coopérative Hydro Embrun Inc.

M. Pierre Carrière explains that, according to this same contract signed with the Township of Russell, should a sale occur, a committee made up of three board members and two councilmen would be established to manage the funds. The Cooperative would continue to exist.

M. Therrien mentions that the Cooperative shared the Coopérative agricole merger proposal with its members, while that document was confidential, in his opinion.

M. Martel mentions that all Board resolutions for Coop agricole and Coopérative Hydro Embrun Inc., as well as any documents pertaining to those resolutions, can be viewed by members at all times.

M. Martel mentions that the rent paid by Coopérative Hydro Embrun Inc. to Papeterie Germain isn't very high.

M. Therrien mentions that Coopérative agricole employees could do some work for Coopérative Hydro Embrun Inc., without going into details.

12. Election to the Administrator Position

The President read the nomination report. This year, a position is open. The Cooperative had received two nominations by December 31, 2018: Mr. Jean Martel, proposed and seconded by Hélène Grégoire and Jean-Paul Leroux, and Mr. Maurice Godard, proposed and seconded by Claude Grégoire and Claude Lafrance.

M. Paul Roy is named returning officer and Marc Ryan and Sylvain Levac are named scrutineers.

The returning officer gives each candidate five minutes to address the members.

Mr. Paul Roy explains the election process to the members. He asks the members to vote and leave their ballots in the blue box overseen by Ms. Brigitte Larocque.

Once the votes have been counted, the returning officer announces that 75 votes were cast, two of which were rejected. Mr. Jean Martel is elected as a director for a three-year term.

Mr. Roy asks for a resolution to destroy the ballots.

Proposed by Francine Martel

Seconded by Maurice Godard

That the ballots be destroyed.

Accepted.

The President requested a proposal to confirm that the election period is closed.

Proposed by Laurent Vincent

Seconded by Germain Cadieux

That the election period be closed.

Accepted.

13. Question Period: none

14. **Attendance Prizes for Members: 10 prizes of \$50 each**
The winners are: Marcel Perras, Paul Major, Paulette Leroux, Jeannine Duval, Marcel Blanchard, Georgette Bisailon, Robert Lavigne, Réjean Gervais, Oscar Forgues, Maurice Lafrance.
15. **Adjournment of the Meeting**
The President, Mr. Jean Martel, requested that the meeting be adjourned.
Proposed by Laurent Laplante
Seconded by Hélène Doré
The meeting was adjourned at 8:00 p.m. Accepted.

Jean Martel, President

Jean Gauthier, Secretary

Members were invited to share a light lunch.

MESSAGE OF THE BOARD OF DIRECTORS

It is always a pleasure for the Board to present to its members its annual report and message. The Board Members are: Jean Martel, Pierre Carrière and Jean Gauthier.

1. Electricity – Public or private?

At the beginning of the 20th century, the new electricity industry in Toronto was in the hands of a few private companies, mostly American. Adam Beck was a businessman, politician and militant in favour of the nationalization of electricity generation and distribution in Ontario. With the slogan "Power at cost," he convinced Prime Minister Whitney of Ontario to name him as the head of a commission of inquiry to study the matter. In 1906, Whitney named Beck at the head of the Hydro-Electric Power Commission of Ontario (Ontario Hydro) which had recently been formed. When Ontario Hydro started to distribute electricity, the prices dropped by 87% and would stay lower by a third than the rates in the United States. See the article by James H. March annexed to this report.

It would be too long to give you here the complete history of the political intervention in the field of hydroelectricity in Ontario and the debate over the sale of Ontario Hydro assets to the private sector. You will find annexed to this annual report a series of interesting articles on the subject that I recommend you read.

2. The subsidization of electricity rates

The subsidization of electricity is a political game that is expensive to Ontarians. The revenue short fall must be fulfilled by the general revenue of the province or by government borrows which was at 5.6 billion as of January 2020! See the article by Ryan Forbes annexed to this report.

3. The Governance of the Cooperative

The Ontario Energy Board (OEB) recommends that your Cooperative comply with the governance criteria identified as follows:

- independence of directors;
- competence of directors;
- structure and function of the Board and the subcommittees;
- documentation and practices.

The purpose of the OEB in this regard is to establish governance criteria and try to measure the performance of electricity distributors based on its governance criteria.

The OEB believes that the quality of governance is an important factor in excellence in electricity distributor performance, and an important indicator of the ability of the electricity distributor to achieve the objectives desired and hoped for by its customers. See the recommendations of the OEB in the appendix to this report.

To this end, you will have to vote to increase our board of directors of the Cooperative from three (3) to five (5) members for the election of its additional members at the annual general meeting (AGM) of next years.

4. The future of the Cooperative

At last's year annual general meeting, you voted in favour of a presentation on the future of the Cooperative.

In October 2018, Mr. Richard Dicerni submitted his report on the modernization of the OER to the Ford Government. However, it is only in January 2020 that the Ford Government named Mr. Dicerni as chairman of the Board of Directors of the OEB.

Before giving you the presentation on the future of the Cooperative, we want to know what impact the changes that will be brought to the EOB by Mr. Dicerni will have on the Cooperative.

5. The 2019 financial results of your Cooperative

We are very proud of our financial results. We believe these are the result of the skill and dedication of our employees and the experience of the members of your board of directors. I want to thank our employees publicly and in writing for their contribution to our financial results and for the excellent service they provided to our members.

Dated in Embrun this 18th day of March 2020.

Your President,

Jean Martel

COMPARISON OF RESIDENTIAL RATES

Company	Consumption (kWh)	Distribution costs*	2019 PEG Report**	Total amount of invoice***	Service costs****
Hydro Hawkesbury January 1, 2020	750	\$18.12	1	\$106.95	January 1, 2016
Ottawa River Power May 1, 2019	750	\$23.95	2	\$114.76	May 1, 2016
Ottawa Hydro January 1, 2020	750	\$27.79	4	\$114.85	January 1, 2016
Renfrew Hydro January 1, 2020	750	\$26.73	3	\$117.60	January 1, 2017
Hydro One Urban density January 1, 2020	750	\$36.37	4	\$126.16	January 1, 2016
Hydro 2000 May 1, 2019	750	\$30.57	2	\$126.38	July 1, 2012
Hydro One Average density January 1, 2020	750	\$59.60	4	\$126.54	January 1, 2016
Hydro One (Rural) January 1, 2020	750	\$69.66	4	\$126.40	January 1, 2016
Coopérative Hydro Embrun January 1, 2020	750	\$36.63	1	\$129.66	January 1, 2016

* Distribution costs include the annual fixed rate and volumetric distribution rate, if need be.

**The PEG Report – August 2019 (Pacific Economics Group Research) is presented to the Ontario Energy Board each year to demonstrate the effectiveness of distribution companies.

The utility company must effectively manage its costs to ensure that clients get the best service for the rate they pay. The total costs of the public service are assessed with the aim of producing a single efficiency ranking. The efficiency ranking is divided into five groups defined according to the value of the difference between the actual and expected costs of each public service. Distributors whose actual costs are lower than expected costs are considered more efficient.

***The total cost of the invoice includes energy costs, delivery costs, regulated charges, variance provision costs, the 31.8% provincial discount and HST. (Source: Ontario Energy Board)

****The year of the distribution company's last cost of service.

REQUEST TO THE ONTARIO ENERGY BOARD

Hydro Ottawa Limited has placed a request with the Ontario Energy Commission to set its electricity distribution rates each year for the next five years, starting on January 1, 2021, and ending December 31, 2025. If the request is approved as is, the amount Hydro Ottawa Limited would charge an average residential customer using 750 kWh a month the following increase:

2021	2022	2023	2024	2025
\$1.31 / \$29.10	\$2.18 / \$31.28	\$1.64 / \$33.12	\$0.98 / \$34.10	\$0.61 / \$34.71

RATE FORECAST FOR COOPÉRATIVE HYDRO EMBRUN INC.

2021	2022	2023	2024	2025
\$0.73 / \$37.36	\$0.75 / \$38.11	\$0.76 / \$38.87	\$0.78 / \$39.65	\$0.79 / \$40.44

CAPITAL EXPENDITURES

	2015	2016	2017	2018	2019	
SOFTWARE	\$ 1,308.00	\$ 1,365.00	\$ 11,068.31	\$ 1,080.67	\$ 2,988.02	\$ 17,809.82
ELECTRICAL STATIONS	\$ -		\$ -	\$ 6,900.00	\$ -	\$ 6,900.00
EQUIPMENT OF ELECTRICAL STATIONS	\$ 75,410.00	\$ 50,012.77	\$1,539,093.69	\$ 935.00	\$ 40,676.74	\$1,632,318.20
TERMINALS, FITTINGS	\$ 2,663.00	\$ 74,099.00	\$ -	\$ 47,975.00	\$ 2,500.00	\$ 92,069.04
OVERHEAD CONDUCTORS, DEVICES	\$ 885.00	\$ 229,394.71	\$ 90,513.00	\$ 20,180.94	\$ 38,774.50	\$ 379,747.65
UNDERGROUND CONDUCTORS, DEVICES	\$ 144,092.15	\$ 28,769.20	\$ -	\$ 17,800.00	\$ 2,360.20	\$ 193,021.55
LOW-VOLTAGE TRANSFORMERS	\$ 110,237.50	\$ 39,618.50	\$ 25,940.25	\$ 91,267.00	\$ 68,079.58	\$ 316,267.84
NEW SERVICES FOR CLIENTS	\$ 15,074.00	\$ 22,175.00	\$ 67,017.55	\$ 20,818.50	\$ 23,364.00	\$ 148,059.05
METERS	\$ 9,244.26	\$ 8,523.00	\$ 15,232.53	\$ 17,551.77	\$ 16,371.94	\$ 66,923.24
OFFICE FURNITURE AND EQUIPMENT	\$ 961.60	\$ 1,563.15	\$ 700.60	\$ 2,772.49	\$ 908.54	\$ 6,906.38
COMPUTER EQUIPMENT AND HARDWARE	\$ 1,384.95	\$ 2,159.94	\$ 1,340.08	\$ -	\$ 4,597.94	\$ 9,482.91
TESTING EQUIPMENT AND MEASURING INSTRUMENTS	\$ -	\$ 7,415.08	\$ -	\$ -	\$ -	\$ 7,415.08
GRANTS AND CONTRIBUTIONS	\$ (148,144.20)	\$ (6,450.50)	\$ (75,884.00)	\$ (60,244.54)	\$ (11,125.00)	\$ (301,848.24)
	\$ 213,116.26	\$ 458,644.85	\$1,675,022.01	\$ 167,036.83	\$189,496.46	\$2,575,462.52

HISTORICAL COMPARISON OF ENERGY COSTS

Monthly consumption: 750 kWh

Year	Fixed price	Price on a volumetric basis	Invoice total (%)	Invoice total (\$)	Changes in monetary value	Process	Distribution costs
2020	\$36.63	\$0.0000	2.36%	\$129.68	\$2.99	IRM	36,63 \$
2019	32,11 \$	\$0.0032	2.67%	126,69 \$	3,30 \$	IRM	34,51 \$
2018	27,84 \$	0.0064\$	7.15%	123,39 \$	8,23 \$	Service costs	\$32.64
2017	\$21.87	\$0.0072	-22.88%	\$116.16	(\$34.17)	IRM	\$27.27
2016	\$18.25	\$0.0106	14.51%	\$149.33	\$18.92	IRM	\$26.20
2015	\$14.77	\$0.0138	16.16%	\$130.41	\$18.14	IRM	\$25.12
2014	\$14.56	\$0.0136	7.69%	\$112.27	\$8.02	Service costs	\$24.76
2013	\$13.70	\$0.0128	0.65%	\$104.25		IRM	\$23.30

Analysis

2014-15: \$18.14

- Power costs increased from \$110.39 in 2014 to \$128.23.
- We also noticed a monthly increase of \$0.30 in distribution costs.

2015-16: \$18.92

- We eliminated the OCEB 10% credit on the total invoice amount.
- Power costs also increased from \$128.23 in 2015 to \$132.15.
- We also noticed a monthly increase of \$1.08 in distribution costs.

2016-17: -\$34.17

- We noticed a 15% decrease in power costs due to reductions provided for in the Ontario Fair Hydro Plan (8% discount from the Government of Ontario and 17% discount through flat-rate pricing).
- We also noticed a monthly increase of \$1.07 in distribution costs.

2017-18: \$8.23

- The variance provision represented \$1.86 in additional costs.
- We also noticed a monthly increase of \$5.37 in distribution costs.
- There was also an increase of \$1.20 in low-voltage rates.

2018-19: \$3.30

- We added a variance provision representing \$1.44.
- We also noticed a monthly increase of \$1.87 in distribution costs.

2019-2020: \$2.99

- We also noticed a monthly increase of \$2.12 in distribution costs.

NUMBER OF CLIENTS PER DISTRIBUTION COMPANY

Hydro One Network Inc. (Urban Density)	1,333,601
Alectra Utilities Corporation	991,102
Toronto Hydro Electrical System Ltd.	772,624
Hydro Ottawa Limited	335,320
London Hydro	159,039
Veredion Connection Inc.	121,828
Kitchener-Wilmot Hydro Inc.	96,827
Enwin Utilities Ltd.	88,978
Oakville Hydro Distribution Inc.	72,108
Burlington Hydro Inc.	67,940
Energy + Inc.	66,402
Entregus Powerlines Inc.	59,186
Oshawa PUC Networks Inc.	58,745
Waterloo North Hydro Inc.	57,471
Hydro One Network Inc. (Norfolk, Haldimand, Woodstock)	56,700
Guelph Hydro	55,673
Niagara Peninsula Energy Inc.	55,593
Thunder Bay Hydro Distribution	50,950
Greater Sudbury Hydro Inc.	47,728
Newmarket - Tay Power Distribution	43,524
Whitby Hydro Electric Corp.	42,906
Brantford Hydro Inc.	39,904
Milton Hydro Distribution Inc.	39,676
Peterborough Distribution Inc.	37,139
Bluewater Power Distribution Corp.	36,691
PUC Distribution Inc.	33,613
Essex Powerline Corporation	30,012
Canadian Niagara Power Inc.	29,245
Kingston Hydro Corporation	27,656
North Bay Hydro Distribution Ltd.	24,172
Westario Power Inc.	23,547
Welland Hydro Electrical System Corp.	23,386
Halton Hills Hydro	22,442
Festival Hydro	21,389
ERTH Powerline Corporation	19,238
Inpower Corporation	18,163
EPCOR Electricity Distribution Ontario Inc.	17,488
Orillia Power Distribution Corp.	14,091

Wasaga Distribution Inc.	13,789
Lakeland Power Distribution	13,644
Orangeville Hydro Ltd.	12,583
E.L.K. Energy Inc.	12,401
Algoma Power Inc.	11,721
Grimsby Power Inc.	11,551
Ottawa River Power Corp.	11,247
Lakefront Utilities Inc.	10,450
Niagara on the Lake Hydro Inc.	9,461
Tillsonburg Hydro Inc.	7,123
Centre Wellington Hydro	7,022
Rideau St. Lawrence Distribution Inc.	5,909
Northern Ontario Wires Inc.	5,903
Kenora Hydro Corporation	5,565
Hydro Hawkesbury Inc.	5,547
Renfrew Hydro Inc.	4,312
Hydro One Remote Communities Inc.	4,180
West Coast Huron Energy Inc.	3,869
Wellington North Power Inc.	3,805
Fort Frances Power	3,745
Espanola Regional Hydro	3,303
Sioux Lookout Hydro Inc.	2,839
Hearst Power Distribution Ltd	2,697
Coopérative Hydro Embrun Inc.	2,355
Atikokan Hydro Inc.	1,636
Hydro 2000 Inc.	1,262
Chapleau Public Utilities	1,208

Source: Ontario Energy Board (directory as of December 31, 2018, published on August 19, 2019). Available online at: https://www.oeb.ca/oeb/Documents/RRR/2018_Yearbook_of_Electricity_Distributors.pdf.

ENERGY COSTS PER DISTRIBUTION COMPANY

Total costs include:

- Energy costs
- Delivery costs
- Regulated costs
- Variance provision costs
- 31.8% provincial discount
- HST

Source: Ontario Energy Board (January 2019). Available online at:
<https://www.oeb.ca/consumer-protection/energy-contracts/bill-calculator>.

Note: Total costs for each distribution company are based on the rates in effect on January 1, 2020, and May 1, 2019.

Distribution company	Total cost for 750 kWh
Algoma Power Inc.	\$135.37 Jan.
Coopérative Hydro Embrun Inc.	\$129.68 Jan.
Inpower Corporation	\$128.74 Jan.
Hydro One Network Inc. R2	\$128.40 Jan.
Toronto Hydro Electrical System Ltd.	\$127.28 Jan.
Hydro One Network Inc. (Medium Density) -R1	\$126.54 Jan.
Wellington North Power Inc.	\$126.11 May
Hydro 2000 Inc.	\$125.36 May
Hydro One Network Inc. (Urban Density)	\$125.15 Jan.
Lakeland Power Distribution- Parry Sound	\$124.91 May
Hydro One – Norfolk Power Distribution	\$123.62 May
Hydro One – Haldimand County Hydro	\$123.53 May
Atikokan Hydro Inc.	\$123.50 May
Northern Ontario Wires Inc.	\$122.56 May
- Newmarket Tay Power Distribution - Former Midland Power	\$121.58 May
Westario Power Inc.	\$121.00 Jan.
Lakeland Power Distribution	\$120.59 May
Chapleau Public Utilities	\$119.78 May
Niagara Peninsula Energy Inc.	\$119.47 May
Espanola Regional Hydro	\$119.42 Jan.
ERTH Power Corporation Main Zone	\$119.06 May
ERTH Power Corporation-Goderich	\$118.84 May
Rideau St. Lawrence Distribution Inc.	\$118.75 May

Sioux Lookout Hydro Inc.	\$118.55 May
Bluewater Power Distribution Corp	\$118.48 May
Hydro One – Woodstock Hydro Services	\$118.37 May
Halton Hills Hydro	\$118.05 May
Oakville Hydro Distribution Inc.	\$117.93 Jan.
Fort Frances Power	\$117.86 May
Renfrew Hydro Inc.	\$117.50 Jan.
Centre Wellington Hydro	\$117.32 Jan.
Waterloo North Hydro Inc.	\$116.66 Jan.
Grimsby Power Inc.	\$116.42 Jan.
North Bay Hydro Distribution Ltd	\$116.37 May
Orillia Power Distribution Corp.	\$116.30 May
EPCOR Electricity Distribution Ontario Inc.	\$116.25 May
Kingston Hydro Corporation	\$116.10 Jan.
Alectra Utilities -Horizon Zone	\$115.35 Jan.
Alectra Utilities- Guelph Zone	\$115.32 Jan.
Welland Hydro Electrical System Corp.	\$115.30 May
Alectra Utilities -PowerStream Zone	\$115.10 Jan.
Milton Hydro Distribution Inc.	\$115.10 May
Synergy North Corp-Kenora Rate Zone	\$114.66 May
Hydro Ottawa Limited	\$114.65 Jan.
Alectra Utilities-Enersource Zone	\$114.63 Jan.
Orangeville Hydro Ltd.	\$114.76 May
Ottawa River Power Corp	\$114.76 May
Tilsonburg Hydro Inc.	\$114.49 May
Burlington Hydro Inc.	\$114.23 May
Oshawa PUC Networks Inc.	\$114.12 Jan.
Entregus Powerline -Main Rate Zone	\$114.09 May
Essex Powerline Corporation	\$114.05 May
Wasaga Distribution Inc.	\$114.01 May
Hearst Power Distribution Ltd	\$113.17 May
Erwin Utilities Ltd	\$113.26 May
Energy Plus Inc.	\$113.92 May
Festival Hydro	\$113.95 Jan.
Newmarket - Tay Power Distribution - Former – Newmarket	\$113.83 May
London Hydro	\$113.58 May
Brantford Power Inc.	\$113.58 Jan.
Entregus Powerline -St-Thomas	\$113.50 Jan.
Veredien Connection Inc.	\$113.45 May
E.L.K. Energy Inc.	\$113.43 May

Alectra Utilities-Brampton Zone	\$113.16 Jan.
Niagara on the Lake Hydro Inc	\$112.75 May
Greater Sudbury Hydro Inc.	\$112.69 May
Peterborough Distribution Inc.	\$112.21 May
Lakefront Utilities Inc.	\$111.74 Jan.
Synergy North Corp -Thunder Bay Zone	\$110.44 May
PUC Distribution Inc.	\$110.12 May
Kitchener-Wilmot Hydro Inc.	\$107.60 Jan.
Hydro Hawkesbury Inc.	\$106.95 Jan.

2019 HIGHLIGHTS

- January:** A first draft of the screen captures from the Scada system is produced. This information will be gathered into a report that will allow the Cooperative to make changes to the distribution network.
- February:** A business plan is prepared for three years, 2019-2020-2021. An agreement is drafted with the township of Russell. A new accounting system is installed.
- March:** The first phase of the Go-Secure firm is complete (Cyber Security compliance). The Cooperative's risk profile falls between low and medium. According to this profile, the Cooperative should conduct between 54 and 84 security checks in the second phase.
- April:** At the 18th AGM, a \$35,000 dividend is distributed to the members.
Mr. Jean Martel is elected for a three-year term as an administrator.
- May:** The Board of directors passes a resolution to reimburse \$107,000 on the loan at Caisse Nouvel Horizon.

The initial amount of the loan was of \$714,242.81 on December 31, 2019. The amount left is of \$430,126.85.
- June:** Report on Quasar firm audit which stipulates that the Cooperative is in compliance with Ontario Regulation 22/04.
- July:** Reinspection of meters through sampling defined by Measurement Canada standards. Nearly 250 meters were inspected.
- August:** Coopérative Hydro Embrun submits a request to the Ontario Energy Commission for its distribution rates.
- September:** The Cooperative signs an agreement with the GoSecure company for the second phase of the Ontario Cyber Security Framework.
- October:** The Minister of Energy announces the new fee structure starting November 1, 2019.
- November:** Mr. Pierre Carrière retires from the Board of directors after 42 years of loyal service to Coopérative Hydro Embrun.

Renewal of employee group insurance.

IESO "Independent Electricity System Operator" recognition. The Cooperative has received two certificates.

December: Two meetings were held over two subdivision projects, Patenaude East Subdivision Phase II – 54 lots, and Versailles Phase III – 47 lots. Both projects will begin in 2020.

Nomination of an administrator position for a three-year term. The Cooperative has received one nomination:

Mr. Michel Provost – November 29, 2019

In summary...

- Thirty-two (32) new points of service are connected to the Cooperative's distribution system.
- The Cooperative works closely with the following distribution companies:

Hydro 2000

Hawkesbury Hydro

Ottawa River Power Corporation

- As of December 31, 2019, the Cooperative had 1,542 members, a 12 member drop.

STATISTICS

Kilowatt hours sold in 2019

CATEGORY	KILOWATT HOURS SOLD	NUMBER OF CLIENTS	REVENUES PER CATEGORY	% OF TOTAL REVENUES
RESIDENTIAL	20,253,193	2,165	\$897,546.42	80%
COMMERCIAL >60KW	3,459,712	9	\$61,950.33	6%
COMMERCIAL <50KW	4,605,656	163	\$125,080.88	11%
STREET LIGHTS	210,843	1	\$27,346.20	2%
CLIENTS WITH NO METER	93,084	17	\$5,801.54	1%
TOTAL	28,622,487	2,355	\$1,117,726.47	100%

DIVIDENDS PAID SINCE THE COOPERATIVE'S INCEPTION

YEAR	DIVIDENDS
2001	\$8,025.00
2002	\$53,250.00
2003	\$31,350.00
2004	\$16,820.00
2005	\$12,775.00
2006	\$0.00
2007	\$34,165.00
2008	\$22,370.00
2009	\$24,610.00
2010	\$19,705.00
2011	\$24,018.00
2012	\$55,915.00
2013	\$42,870.00
2014	\$21,935.00
2015	\$20,000.00
2016	\$20,000.00
2017	\$0.00
2018	\$35,000.00
2019	\$45,000.00
TOTAL	\$467,788.00

SOCIAL AUDIT

The Community

After 18 years, Coopérative Hydro Embrun Inc. is doing very well despite all the changes in the industry. Clients who would like to become members can do so with a contribution of \$10.00.

The Board of Directors

The Cooperative's administrators protected their clients' interests in 2019 by carefully examining all changes occurring in the electricity industry. They have been their clients' voices in the various decisions that were taken during monthly meetings and external meetings.

Members' Participation in Profits

\$45,000.00 in dividends, thus representing 14.85% of the organization's net income before taxes on December 31, 2019, will be distributed to the Cooperative's members. The amount of dividends represents 5.9% of the distribution fees paid by members. This amount will be credited on client invoices.

Service Fees

Each year, the Board of Directors reviews service fees. For more information, clients can contact the office during regular business hours.

Human Resources Development

The Board of Directors participated in meetings to keep abreast of the latest developments in the industry. Employees have participated in various training courses on computer software.

Community Development

The Cooperative donated \$2,500.00 and participated in the following local organizations:

Donations: \$2,500.00

- Winchester District Memorial Hospital	\$800.00
- Amies pour la vie	\$100.00
- Paroisse St-Jacques	\$500.00
- Embrun secondary education scholarships	\$300.00
- Embrun Fire Department	\$200.00
- Groupe action pour l'enfant	\$100.00
- Embrun Craft Show	\$100.00
- Kin Club of Russell	\$350.00
- Urgel Forget Centre	\$50.00

Community involvement: \$2,995.00

- Russell Triva Services	\$50.00
- Kin Club of Russell	\$680.00
- Chevaliers de Colomb d'Embrun	\$300.00
- Golf Tournoi Caisse Populaire	\$300.00
- Paroisse St-Jacques	\$320.00
- Maison des Arts	\$500.00
- Urgel Forget Centre	\$50.00
- Club Richelieu	\$685.00
- Club Joie de vivre	\$100.00

In summary...

This information shows that the Cooperative has actively contributed to the advancement of the community.



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Embrun ON K0A 1W0 Canada

Independent Auditor's Report

Rapport de l'auditeur indépendant

To the members of Embrun Hydro Cooperative Inc.

Opinion

We have audited the financial statements of Embrun Hydro Cooperative Inc. (the Cooperative), which comprise the statement of financial position as at December 31, 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Cooperative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Aux membres de la Coopérative Hydro Embrun Inc.

Opinion

Nous avons effectué l'audit des états financiers de la Coopérative Hydro Embrun Inc. (la « Coopérative »), qui comprennent l'état de la situation financière au 31 décembre 2019, et les états du résultat global, de la variation des capitaux propres et des flux de trésorerie pour l'exercice clos à cette date, ainsi que les notes, y compris le résumé des principales méthodes comptables.

À notre avis, les états financiers ci-joints donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la Coopérative au 31 décembre 2019, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date, conformément aux Normes internationales d'information financière.

Fondement de l'opinion

Nous avons effectué notre audit conformément aux normes d'audit généralement reconnues du Canada. Les responsabilités qui nous incombent en vertu de ces normes sont plus amplement décrites dans la section Responsabilités de l'auditeur à l'égard de l'audit des états financiers du présent rapport. Nous sommes indépendants de la Coopérative conformément aux règles de déontologie qui s'appliquent à notre audit des états financiers au Canada et nous nous sommes acquittés des autres responsabilités déontologiques qui nous incombent selon ces règles. Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Responsabilités de la direction et des responsables de la gouvernance à l'égard des états financiers

La direction est responsable de la préparation et de la présentation fidèle des états financiers conformément aux Normes internationales d'information financière, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Independent Auditor's Report

In preparing the financial statements, management is responsible for assessing the Cooperative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Cooperative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Cooperative's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Rapport de l'auditeur indépendant

Lors de la préparation des états financiers, c'est à la direction qu'il incombe d'évaluer la capacité de la Coopérative à poursuivre son exploitation, de communiquer, le cas échéant, les questions relatives à la continuité de l'exploitation et d'appliquer le principe comptable de continuité d'exploitation, sauf si la direction a l'intention de liquider la Coopérative ou de cesser son activité ou si aucune solution réaliste ne s'offre à elle.

Il incombe aux responsables de la gouvernance de surveiller le processus d'information financière de la Coopérative.

Responsabilités de l'auditeur à l'égard de l'audit des états financiers

Nos objectifs sont d'obtenir l'assurance raisonnable que les états financiers pris dans leur ensemble sont exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs, et de délivrer un rapport de l'auditeur contenant notre opinion. L'assurance raisonnable correspond à un niveau élevé d'assurance, qui ne garantit toutefois pas qu'un audit réalisé conformément aux normes d'audit généralement reconnues du Canada permettra toujours de détecter toute anomalie significative qui pourrait exister. Les anomalies peuvent résulter de fraudes ou d'erreurs et elles sont considérées comme significatives lorsqu'il est raisonnable de s'attendre à ce que, individuellement ou collectivement, elles puissent influencer les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'un audit réalisé conformément aux normes d'audit généralement reconnues du Canada, nous exerçons notre jugement professionnel et faisons preuve d'esprit critique tout au long de cet audit. En outre :

- nous identifions et évaluons les risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs, concevons et mettons en œuvre des procédures d'audit en réponse à ces risques, et réunissons des éléments probants suffisants et appropriés pour fonder notre opinion. Le risque de non-détection d'une anomalie significative résultant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne;

Independent Auditor's Report

Rapport de l'auditeur indépendant

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Cooperative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- nous acquérons une compréhension des éléments du contrôle interne pertinents pour l'audit afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de la Coopérative;
- nous apprécions le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, de même que des informations y afférentes fournies par cette dernière;
- nous tirons une conclusion quant au caractère approprié de l'utilisation par la direction du principe comptable de continuité d'exploitation et, selon les éléments probants obtenus, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité de la Coopérative à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport sur les informations fournies dans les états financiers au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants obtenus jusqu'à la date de notre rapport. Des événements ou situations futurs pourraient par ailleurs amener la Coopérative à cesser son exploitation;
- nous évaluons la présentation d'ensemble, la structure et le contenu des états financiers, y compris les informations fournies dans les notes, et apprécions si les états financiers représentent les opérations et événements sous-jacents d'une manière propre à donner une image fidèle.

Nous communiquons aux responsables de la gouvernance notamment l'étendue et le calendrier prévus des travaux d'audit et nos constatations importantes, y compris toute déficience importante du contrôle interne que nous aurions relevée au cours de notre audit.

BDO Canada s.r.l./LLP

Chartered Professional Accountants,
Licensed Public Accountants

Embrun, Ontario
April 2, 2020

Comptables professionnels agréés,
experts-comptables autorisés

Embrun (Ontario)
le 2 avril 2020

Embrun Hydro Cooperative Inc.
Statement of Financial Position
December 31

Coopérative Hydro Embrun inc.
État de la situation financière
31 décembre

	2019	2018	
Asset			Actif
Cash	\$ 1,193,488	\$ 912,190	Encaisse
Accounts receivable (Note 7)	903,040	399,610	Débiteurs (Note 7)
Unbilled service revenue (Note 7)	523,740	406,456	Produits provenant de services non facturés (Note 7)
	1,219,388	1,718,256	
Property and equipment (Note 5)	3,663,192	5,676,990	Immobilisations corporelles (Note 5)
Total Assets	7,882,480	7,395,246	Total des actifs
Regulatory deferral account debit balances and related deferred tax (Note 4)	185,243	271,079	Solides débiteurs de comptes de report réglementaires et d'impôt différé connexe (Note 4)
Total Assets and Regulatory Deferral Account Debit Balances	\$ 8,067,723	\$ 7,666,325	Total des actifs et soldes débiteurs des comptes de report réglementaires
Liabilities and Members' Equity			Passifs et capitaux propres
Liabilities			Passifs
Accounts payable and accrued liabilities	\$ 962,903	\$ 772,404	Créditeurs et frais courus
Payments in lieu of taxes payable (Note 8)	7,511	9,148	Paiements tenant lieu d'impôt à payer (Note 8)
Deferred revenues	39,024	44,888	Produits reportés
Patronage payable	45,418	35,000	Remises à payer
Current portion of long-term debt (Note 9)	46,925	42,500	Tranche de la dette à long terme échéant à moins d'un an (Note 9)
	1,101,778	903,940	
Contributions in aid of construction (Note 6)	1,340,265	1,373,076	Apports affectés à la construction (Note 6)
Customer deposits (Note 7)	19,363	17,893	Dépôts de clients (Note 7)
Long-term debt (Note 9)	383,202	638,838	Dette à long terme (Note 9)
Deferred taxes	55,942	44,397	Impôt différé
Total Liabilities	2,980,550	2,875,104	Total des passifs
Commitments (Note 14)			Engagements (Note 14)
Members' Equity			Capitaux propres
Share capital (Note 11)	15,420	15,540	Capital-actions (Note 11)
Retained earnings	2,090,934	1,849,825	Bénéfices non répartis
Contributed surplus	2,862,994	2,862,994	Surplus d'apport
Total Members' Equity	4,969,348	4,728,359	Total des capitaux propres
Total Liabilities and Members' Equity	7,949,898	7,603,463	Total des passifs et capitaux propres
Regulatory deferral account credit balances and related deferred tax (Note 4)	193,825	79,862	Solides créditeurs de comptes de report réglementaires et d'impôt différé connexe (Note 4)
Total Liabilities, Members' Equity and Regulatory Deferral Account Credit Balances	\$ 8,063,723	\$ 7,683,325	Total des passifs, des capitaux propres et des soldes créditeurs de comptes de report réglementaires

Signed on behalf of the Board of Directors by:

Director _____ Administrateur
 Director _____ Administrateur
 Director _____ Administrateur

Signé au nom du conseil d'administration:

The notes are an integral part of these financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Embrun Hydro Cooperative Inc.
Statement of Changes in Members'
Equity

For the year ended December 31

Coopérative Hydro Embrun Inc.
État des variations des capitaux propres

Pour l'exercice clos le 31 décembre

	Share Capital / Capital-actions	Retained Earnings / Bénéfices non répartis	Contributed Surplus / Surplus d'apport	Total / Total	
Balance at January 1, 2018	\$ 15,150	\$ 1,649,274	\$ 2,862,994	\$ 4,527,418	Solde au 1 janvier 2018
Profit for the year and net movements in regulatory deferral account balances	-	200,551	-	200,551	Résultat pour l'exercice et mouvement net des soldes de comptes de report réglementaires
Net variation of share- capital	390	-	-	390	Variation nette du capital-actions
December 31, 2018	15,540	1,849,825	2,862,994	4,728,359	31 décembre 2018
Profit for the year and net movements in regulatory deferral account balances	-	241,109	-	241,109	Résultat pour l'exercice et mouvement net des soldes de comptes de report réglementaires
Net variation of share- capital	(120)	-	-	(120)	Variation nette du capital-actions
December 31, 2019	\$ 15,420	\$ 2,090,934	\$ 2,862,994	\$ 4,969,348	31 décembre 2019

Embrun Hydro Cooperative Inc.
Statement of Comprehensive Income
For the year ended December 31

Coopérative Hydro Embrun inc.
État du résultat global
Pour l'exercice clos le 31 décembre

	2019	2018	
Revenues			Produits
Electricity Sales	\$ 3,188,843	\$ 2,805,916	Électricité
Distribution	1,136,042	1,058,656	Distribution
Other revenues (Note 12)	156,412	140,132	Autres produits (Note 12)
	<u>4,481,297</u>	<u>4,004,704</u>	
Expenses			Charges
Advertising and promotion	9,128	9,690	Publicité et promotion
Amortization of property and equipment (Note 5)	208,353	206,677	Amortissement des immobilisations corporelles (Note 5)
Bad debts	13,361	7,917	Mauvaises créances
Customer billing	96,248	91,882	Facturation des clients
Energy purchases	3,188,843	2,805,916	Achats en énergie
Insurance	6,662	6,422	Assurance
Membership fees	6,200	6,100	Frais d'associations
Office	24,955	18,377	Frais de bureau
Other expenses	160	189	Autres charges
Professional fees	115,895	137,613	Frais professionnels
Programs	90,288	48,977	Programmes
Rent	16,800	15,900	Loyer
Repairs and maintenance of network	71,633	79,362	Entretien et réparations du réseau
Salaries and benefits - Directors	44,841	33,635	Salaires et avantage sociaux - Administrateurs
Salaries and benefits - Employees (Note 10)	270,828	261,527	Salaires et avantage sociaux - Employés (Note 10)
Telephone	12,201	12,536	Téléphone
Travel	6,958	8,109	Voyage
Patronage	45,000	35,000	Ristournes
	<u>4,228,354</u>	<u>3,785,780</u>	
Income from operating activities	252,943	218,915	Produits provenant des activités d'exploitation
Finance income	31,420	26,251	Produits financiers
Finance cost	(19,677)	(22,958)	Frais financiers
Loss on disposal of property and equipment	(6,086)	(10,481)	Perte sur disposition d'immobilisations corporelles
Income before provision for payment in lieu of taxes	258,620	211,727	Résultat avant provision pour paiement tenant lieu d'impôts
Provision for payment in lieu of taxes Current (Note 8)	27,511	11,176	Provision pour paiement tenant lieu d'impôts Éligible (Note 8)
Profit for the year and net movements in regulatory deferral account balances	\$ 241,109	\$ 200,551	Résultat pour l'exercice et mouvement net des soldes de comptes de report réglementaires

The notes are an integral part of these financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Embrun Hydro Cooperative Inc.
Statement of Cash Flows
For the year ended December 31

Coopérative Hydro Embrun inc.
État des flux de trésorerie
Pour l'exercice clos le 31 décembre

	2019	2018	
Cash flows from operating activities			Flux de trésorerie liés aux activités d'exploitation
Profit for the year and net movements in regulatory deferral account balances	\$ 241,109	\$ 200,551	Résultat pour l'exercice et mouvement net des soldes de comptes de report réglementaires
Adjustments to reconcile income to net cash used in operating activities:			Ajustements pour rapprocher le résultat et l'encaisse nette utilisée par les activités d'exploitation:
Amortization of property and equipment	208,353	206,677	Amortissement des immobilisations corporelles
Amortization of contributions in aid of construction	(43,936)	(43,044)	Amortissement des apports affectés à la construction
Loss on disposal of property and equipment	6,066	10,481	Perte sur disposition d'immobilisations corporelles
Changes in non-cash working capital			Variation des éléments hors caisse du fonds de roulement
Accounts receivable	(102,450)	(31,807)	Débiteurs
Unbilled service revenue	(117,284)	(5,677)	Produits provenant de services non facturés
Accounts payable and accrued liabilities	190,499	(213,501)	Crediteurs et frais courus
Payments in lieu of taxes receivables / payables	(1,637)	23,489	Paiements tenant lieu d'impôts à recevoir / à payer
Customer deposits	1,470	2,200	Dépôts de clients
Deferred revenues	(5,064)	22,815	Produits reportés
Patronage payable	10,415	35,000	Ristournes à payer
	<u>386,741</u>	<u>207,184</u>	
Cash flows from investing activities			Flux de trésorerie liés aux activités d'investissement
Purchase of property and equipment	(200,621)	(227,282)	Acquisition d'immobilisations corporelles
Changes in regulatory deferral account balances	235,384	143,674	Variation des soldes de comptes de report réglementaires
	<u>34,763</u>	<u>(83,608)</u>	
Cash flows from financing activities			Flux de trésorerie liés aux activités de financement
Repayment of long-term debt	(151,211)	(132,905)	Remboursement de la dette à long terme
Contributions in aid of construction	11,125	60,244	Apports affectés à la construction
Issuance of share capital	1,650	1,490	Émission de capital-actions
Redemption of share capital	(1,770)	(1,100)	Rachat de capital-actions
	<u>(140,206)</u>	<u>(72,271)</u>	
Net increase in cash	281,298	51,305	Augmentation nette de la trésorerie
Cash, beginning of the year	<u>912,190</u>	<u>860,885</u>	Encaisse, début de l'exercice
Cash, end of the year	<u>\$ 1,193,488</u>	<u>\$ 912,190</u>	Encaisse, fin de l'exercice

The notes are an integral part of these financial statements.

Les notes comptables font partie intégrante des états financiers.

Embrun Hydro Cooperative Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

Coopérative Hydro Embrun inc.
Notes aux états financiers
Pour l'exercice clos le 31 décembre 2019

1. Cooperative's Information

The Embrun Hydro Cooperative Inc.'s (the "Cooperative") main business activity is the distribution of electricity under a license issued by the Ontario Energy Board ("OEB"). The Cooperative owns and operates an electricity distribution system, which delivers electricity to approximately 2,355 customers located in Embrun, Ontario.

The Province, through its regulator the OEB exercises statutory authority through setting or approving all rates charged by the Cooperative and establishing standards of service for the Cooperative's customers. Rates are set by the OEB on an annual basis for January 1 to December 31.

Operating in regulated environment exposes the Cooperative to regulatory and recovery risk.

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

1. Renseignements sur la Coopérative

La principale activité de la Coopérative Hydro Embrun inc. (la "Coopérative") est la distribution d'énergie électrique en vertu d'un permis de la Commission de l'énergie de l'Ontario (la « CEO »). La Coopérative détient et exploite un réseau de distribution d'énergie électrique, qui fournit de l'électricité à environ 2 355 clients à Embrun (Ontario).

Par l'entremise de la CEO, son organisme de réglementation, la Province détient le pouvoir légal pour établir et approuver tous les tarifs demandés par la Coopérative, ainsi que pour établir les normes de services des clients de la Coopérative. Les tarifs sont fixés par la CEO sur une base annuelle, soit du 1^{er} janvier au 31 décembre.

Comme elle exerce ses activités dans un environnement réglementé, la Coopérative est exposée au risque réglementaire et au risque de recouvrement.

Le risque réglementaire est le risque que la Province et son organisme de réglementation, la CEO, mettent sur pied un programme de réglementation qui imposerait des conditions interdisant au secteur de la distribution de l'énergie électrique de fixer un taux de rendement acceptable assurant la viabilité financière de ses activités commerciales, y compris le recouvrement des dépenses engagées pour aider les autres acteurs du marché de l'énergie électrique, comme des coûts de transition et d'autres actifs réglementaires. Toutes les demandes de modification des charges de distribution de l'énergie électrique doivent être approuvées par la CEO.

Embrun Hydro Cooperative Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

Coopérative Hydro Embrun Inc.
Notes aux états financiers
Pour l'exercice clos le 31 décembre 2019

1. Cooperative's Information (continued)

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. Embrun Hydro Cooperative Inc. is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

The address of the Cooperative's corporate office and principal place of business is 821 Notre-Dame Street, Suite 200, Embrun, Ontario, Canada.

1. Renseignements sur la Coopérative (suite)

Le développement de la réglementation au sein du marché de l'électricité en Ontario, y compris les consultations actuelles et potentielles entre la CEO et les parties intéressées, peuvent avoir une incidence sur les tarifs de distribution et les autres éléments de recouvrement autorisés à l'avenir. La Coopérative Hydro Embrun Inc. doit acquitter un coût de service dans le cadre d'un mécanisme réglementaire en vertu duquel la CEO établit les produits nécessaires pour i) recouvrer les coûts d'exploitation prévus, tels que l'amortissement et l'impôt sur le revenu, pour fournir le service réglementé et ii) pour offrir un rendement ou une assiette tarifaire juste et raisonnable sur les services publics. Puisque les conditions d'exploitation peuvent s'avérer différentes des prévisions, les rendements réels obtenus peuvent être différents des rendements approuvés.

L'adresse du siège social de la Coopérative et de son principal établissement est le 821 rue Notre-Dame, Suite 200, Embrun (Ontario), Canada.

2. Basis of Presentation

a) Statement of compliance

The financial statements of Embrun Hydro Cooperative Inc. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on April 2, 2020.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Canadian dollars (CAD\$), which is also the Cooperative's functional currency, and all values are rounded to the nearest dollar, unless when otherwise indicated.

2. Mode de présentation

a) Déclaration de conformité

Les états financiers de la Coopérative Hydro Embrun Inc. ont été préparés conformément aux Normes internationales d'information financière (« IFRS »), telles que publiées par l'International Accounting Standards Board (« IASB »).

La publication des états financiers a été autorisée par le Conseil d'administration le 2 avril 2020.

b) Mode d'évaluation

Les états financiers ont été préparés selon la méthode du coût historique.

Les états financiers sont présentés en dollars canadiens, qui est également la monnaie fonctionnelle de la Coopérative, et à moins d'indication contraire, tous les montants ont été arrondis au dollars près.

2. Basis of Presentation (continued)

c) Judgement and Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Cooperative's accounting policies. The areas involving critical judgements and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The recognition and measurement of regulatory deferral account balances (Note 4);
- The determination of impairment of accounts receivable and unbilled service revenues; and the incorporation of forward-looking information into the measurement of the expected credit loss ("ECL") (Note 7); and
- The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 8).

In addition, in preparing the financial statements the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

3. Adoption of New Accounting Standards

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2019 did not materially affect the Cooperative's financial statements other than those described below.

2. Mode de présentation (suite)

c) Jugement et estimations

La préparation des états financiers selon les IFRS exige que la direction fasse appel à certaines estimations comptables critiques. Elle exige également que la direction fasse preuve de jugement lors de l'application des méthodes comptables de la Coopérative. Les secteurs exigeant un jugement ou des estimations critiques dans l'application des méthodes comptables et pour lesquels le risque d'ajustement significatif aux valeurs comptables des actifs et passifs constatés dans les états financiers du prochain exercice est le plus important sont les suivants :

- La comptabilisation et l'évaluation des soldes de comptes de report réglementaires (Note 4);
- La détermination de la dépréciation des débiteurs et des produits provenant de services non facturés; et l'incorporation d'informations prospectives dans l'évaluation de la perte de crédit attendue ("PCA") (Note 7); et
- La détermination de la provision pour paiement tenant lieu d'impôts, compte tenu du nombre élevé de transactions et de calculs pour lesquels la détermination finale des impôts est incertaine (Note 8).

De plus, les notes aux états financiers ont été préparées de manière à présenter les renseignements les plus pertinents en premier et à exclure toute information jugée non significative par la direction. L'évaluation du caractère pertinent ou significatif de ces informations repose largement sur le jugement.

3. Adoption de nouvelles normes comptables

Les normes, interprétations et modifications comptables en vigueur pour les exercices débutant le ou après le 1^{er} janvier 2019 n'ont pas eu un d'incidence importante sur les états financiers de la Coopérative autres que ceux décrits ci-après.

2. Adoption of New Accounting Standards
(continued)

IFRS 16 - Leases

On January 1, 2019, the Cooperative adopted IFRS 16 - Leases (IFRS 16). IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 - Leases ("IAS 17"), with the distinction between operating leases and finance leases being retained.

The Cooperative adopted IFRS 16 using the modified retrospective approach without restatement of comparative figures. The Cooperative elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Cooperative applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

3. Adoption de nouvelles normes comptables
(suite)

IFRS 16 - Contrats de location

Le 1er janvier 2019, la coopérative a adopté l'IFRS 16 - Contrats de location (IFRS 16). L'IFRS 16 fournit un modèle comptable à preneur unique, exigeant la comptabilisation des actifs et passifs pour tous les contrats de location, sauf si la durée du contrat de location est de 12 mois ou moins, ou si l'actif sous-jacent est de faible valeur. L'IFRS 16 reprend sensiblement la comptabilité du bailleur dans l'IAS 17 - Contrats de location (=IAS 17-), la distinction entre les contrats de location simple et les contrats de location-financement étant conservée.

La coopérative a adopté IFRS 16 en utilisant l'approche rétrospective modifiée sans retraitement des chiffres comparatifs. La coopérative a choisi d'appliquer le moyen pratique de ne pas réévaluer si un contrat est ou contient un bail à la date de la première demande. Les contrats conclus avant la date de transition qui n'étaient pas identifiés comme des contrats de location selon IAS 17 et IFRIC 4 n'ont pas été réévalués. La définition d'un contrat de location selon IFRS 16 a été appliquée uniquement aux contrats conclus ou modifiés à compter du 1er janvier 2019.

L'IFRS 16 prévoit certains moyens pratiques facultatifs, y compris ceux liés à l'adoption initiale de la norme. La coopérative a appliqué les moyens pratiques suivants lors de l'application d'IFRS 16 aux contrats de location précédemment classés en tant que contrats de location simple selon IAS 17:

- Appliqué un taux d'actualisation unique à un portefeuille de baux présentant des caractéristiques raisonnablement similaires;
- Recours à des évaluations antérieures sur la question de savoir si les baux sont onéreux au lieu de préparer un examen de la dépréciation selon IAS 36 à la date de la première application; et
- Appliqué l'exemption de ne pas reconnaître les actifs et les passifs liés aux droits d'utilisation pour les baux dont la durée de location est inférieure à 12 mois à la date de la première demande.

Embrun Hydro Cooperative Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

Coopérative Hydro Embrun Inc.
Notes aux états financiers
Pour l'exercice clos le 31 décembre 2019

3. Adoption of New Accounting Standards
(continued)

(i) Recognition and measurement

As a lessee, the Cooperative previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Cooperative recognizes right-of-use assets and lease liabilities for most leases. However, the Cooperative has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

(ii) Impacts on the Cooperative's financial statements on January 1, 2019

The adoption of IFRS 16 did not have a material impact on the statement of financial position as at January 1, 2019.

(iii) Impacts on the Cooperative's financial statements on December 31, 2019

The adoption of IFRS 16 did not have a material impact on the statement of financial position as at December 31, 2019.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (IFRIC 23)

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- An entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

3. Adoption de nouvelles normes comptables
(suite)

(i) Comptabilisation et évaluation

En tant que locataire, la coopérative a précédemment classé les contrats de location comme des contrats de location simple ou des contrats de location-financement en fonction de son évaluation du fait que le contrat de location transférait la quasi-totalité des risques et avantages de la propriété. En vertu d'IFRS 16, la coopérative comptabilise les actifs liés aux droits d'utilisation et les passifs de location pour la plupart des contrats de location. Cependant, la coopérative a choisi de ne pas comptabiliser les actifs liés au droit d'utilisation et les passifs de location pour certains baux d'actifs de faible valeur en fonction de la valeur de l'actif sous-jacent lorsqu'ils sont neufs ou pour des baux à court terme d'une durée de 12 mois ou moins.

(ii) Impacts sur les états financiers de la coopérative au 1er janvier 2019

L'adoption d'IFRS 16 n'a pas eu d'incidence significative sur l'état de la situation financière au 1er janvier 2019.

(iii) Impacts sur les états financiers de la coopérative au 31 décembre 2019

L'adoption d'IFRS 16 n'a pas eu d'incidence significative sur l'état de la situation financière au 31 décembre 2019.

Interprétation IFRIC 23 - Incertitude relative aux traitements fiscaux

IFRIC 23 fournit des indications sur la comptabilisation des passifs et actifs d'impôts courants et différés dans les cas où il existe une incertitude sur les traitements fiscaux. L'interprétation requiert:

- Une entité pour examiner si les traitements fiscaux incertains doivent être considérés séparément ou ensemble en tant que groupe, en fonction de l'approche qui fournit de meilleures prévisions de la résolution;
- Une entité pour déterminer s'il est probable que les autorités fiscales acceptent le traitement fiscal incertain; et
- S'il n'est pas probable que le traitement fiscal incertain sera accepté, mesurer l'incertitude fiscale en fonction du montant ou de la valeur attendue le plus probable, selon la méthode qui prédit le mieux la résolution de l'incertitude.

Embrun Hydro Cooperative Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

Coopérative Hydro Embrun inc.
Notes aux états financiers
Pour l'exercice clos le 31 décembre 2019

**3. Adoption of New Accounting Standards
(continued)**

The adoption of IFRIC 23 did not have a material impact on the Cooperative's financial statements.

**3. Adoption de nouvelles normes comptables
(suite)**

L'adoption d'IFRIC 23 n'a pas eu d'incidence significative sur les états financiers de la coopérative.

4. Regulatory Deferral Account Balances

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets.

Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process.

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s), that are expected to be recovered from consumers in future periods through the rate-setting process. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

4. Soldes de comptes de report réglementaires

Les soldes de comptes de report réglementaires sont comptabilisés et évalués au coût, initialement et ultérieurement. Ils sont évalués pour dépréciation selon la même méthode que celle utilisée pour les autres actifs non financiers.

Les soldes créditeurs de comptes de report réglementaires sont associés à certains revenus gagnés au cours de la présente période ou des périodes antérieures, dont le retour aux consommateurs est prévu au cours des périodes futures par le biais du processus d'établissement de tarifs.

Les soldes débiteurs de comptes de report réglementaires représentent les revenus futurs associés à certains coûts engagés au cours de la présente période ou des périodes antérieures, dont le recouvrement auprès des clients est prévu dans les périodes futures par le biais du processus d'établissement de taux. La direction évalue continuellement la possibilité de recouvrement des actifs réglementaires. Si le recouvrement par le biais de tarifs ultérieurs n'était plus jugé probable, les montants seraient portés en charges dans les résultats d'exploitation au cours de la période durant laquelle l'évaluation est réalisée.

Embrun Hydro Cooperative Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

Coopérative Hydro Embrun Inc.
Notes aux états financiers
Pour l'exercice clos le 31 décembre 2019

4. Regulatory Deferral Account Balances
(continued)

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Cooperative has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

4. Soldes de comptes de report réglementaires
(suite)

Tous les montants reportés en tant que soldes débiteurs de comptes de report réglementaires sont assujettis à l'approbation de la CEO. En d'autres termes, les montants à reporter pourraient être modifiés par l'organisme de réglementation. Les périodes de recouvrement restantes correspondent aux périodes prévues. Quant aux périodes réelles de recouvrement ou de règlement, elles pourraient changer en fonction de l'approbation de la CEO. Compte tenu des décisions et articles de règlement antérieurs, existants ou à venir, la Coopérative détient des montants dont elle a prévu le recouvrement auprès des clients (ou le retour aux clients) au cours de périodes ultérieures, comme il est indiqué ci-dessous. Par conséquent, les soldes de comptes de report réglementaires sont les suivants :

Regulatory Deferral Account Debits (Credit)

	Hydro one recovery / Recouvrement par Hydro One	Rebasing costs / Frais de rebasing	Deferred tax / Impôt différé	"RAFA" recovery / "CARR" Recouvrement	
December 31, 2017	\$ 136,953	\$ 72,485	\$ 17,635	\$ 123,372	31 décembre 2017
Balances arising in the period	(101,473)	(14,049)	26,722	(566)	Soldes au cours de la période
December 31, 2018	35,480	68,436	44,357	122,806	31 décembre 2018
Balances arising in the period	4,812	(17,111)	11,585	(89,127)	Soldes au cours de la période
December 31, 2019	\$ 40,297	\$ 51,325	\$ 55,942	\$ 33,679	31 décembre 2019

Soldes débiteurs (créditeurs) de comptes de report réglementaires

	Settlement variances / Écarts de règlement	Bill 210 regulatory cost / Coût réglementaire du projet de loi 210	IFRS transition costs / Coûts de conversion au IFRS	Net Regulatory (Liabilities) Assets / Actifs (passifs) réglementaires nets	
December 31, 2017	\$ (44,084)	\$ -	\$ 21,807	\$ 328,168	31 décembre 2017
Balances arising in the period	(15,778)	-	(21,807)	(116,951)	Soldes au cours de la période
December 31, 2018	(59,862)	-	-	211,217	31 décembre 2018
Balances arising in the period	(126,643)	(7,320)	-	(223,799)	Soldes au cours de la période
December 31, 2019	\$ (186,505)	\$ (7,320)	\$ -	\$ (12,582)	31 décembre 2019

Embrun Hydro Cooperative Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

Coopérative Hydro Embrun Inc.
Notes aux états financiers
Pour l'exercice clos le 31 décembre 2019

4. Regulatory Deferral Account Balances
(continued)

Rebasing costs

Every five years, the Cooperative has to file a request to the OEB for the approval of its billing rates. The costs incurred are recorded as a regulatory asset and are amortized using the straight-line method over a five year period.

Deferred tax

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The deferred tax asset balance is presented within the total regulatory deferral account balances presented in the statement of financial position.

"RAA" recovery

On December 23, 2013 the OEB ordered that the approved regulatory asset balances be aggregated into a single regulatory account. The approved balance will be recovered over periods of 1 and 2 years. The RAA is credited with recovery amounts and is debited by OEB prescribed carrying charges.

Settlement variances

This account is comprised of the variances between amounts charged by the Cooperative to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Cooperative after May 1, 2002. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

IFRS transition costs

During 2013, the OEB consultation process was set up to determine the effect of IFRS on local distribution companies. The consultation concluded that prudently incurred administrative costs directly related to IFRS transition would be recoverable from ratepayers on the same basis as other administrative costs. The OEB has approved the collection from customers to cover the expected one-time costs of implementing IFRS.

4. Soldes de comptes de report réglementaires
(suite)

Frais de rebasing

À tous les cinq ans, la Coopérative doit faire une demande à la CEO pour l'approbation des taux de facturation. Les coûts engendrés pour cette demande sont comptabilisés en tant qu'actif réglementé et sont amortis selon la méthode linéaire sur une période de cinq ans.

Impôt différé

Le recouvrement d'impôts différés auprès des clients (ou leur remboursement aux clients) par le biais de tarifs ultérieurs est comptabilisé dans le solde de compte de report réglementaire. Le solde des actifs d'impôt différé est présenté dans l'état de la situation financière sous le total des soldes de comptes de report réglementaires.

Recouvrement "CARR"

Le 23 décembre 2013, la CEO a exigé que le solde des actifs réglementés autorisés soient combinés dans un seul compte réglementé. Le solde autorisé de ce compte sera recouvert sur des périodes de 1 et 2 ans. Le CARR est crédité avec les montants récupérés et est débité par les frais d'intérêts prélevés par la CEO.

Écarts de règlement

Ce compte comprend les écarts entre les montants facturés aux clients par la Coopérative établis selon les tarifs réglementés, ainsi que le coût correspondant du service d'électricité non concurrentiel encouru par la Coopérative après le 1^{er} mai 2002. Les écarts de règlement sont liés principalement aux frais d'administration, aux frais d'électricité non concurrentiels, aux frais d'importation de l'énergie et aux ajustements généraux.

Coûts de conversion aux IFRS

Au cours de 2013, le processus de consultation de la CEO a été mis au point afin de déterminer l'incidence des IFRS sur les entreprises de distribution locales. La consultation a conclu que des frais d'administration prudemment engagés directement liés à la conversion aux IFRS seraient recouvrables auprès des contribuables selon la même méthode que celle employée pour les autres frais d'administration. La CEO a approuvé ce recouvrement auprès des clients, lequel est destiné à couvrir les coûts non récurrents liés à l'adoption des IFRS.

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5. Property and Equipment

Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as property and equipment since they support the Cooperative's distribution system reliability.

Depreciation of property and equipment is recorded in the Statement of operations on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The estimated useful lives are as follows:

Computers	20%
Distribution system	1.67 to /à 2.86%
Office equipment	10%
Smart meters	6.67%
Tools	10%
Land is not depreciated	

5. Immobilisations corporelles

Les pièces de remplacements majeures, comme les transformateurs et les autres éléments conservés comme équipement de rechange, sont comptabilisées dans les immobilisations corporelles, car elles assurent la fiabilité du réseau de distribution de la Coopérative.

L'amortissement des immobilisations corporelles est comptabilisé dans l'état des résultats selon la méthode linéaire sur la durée de vie utile estimative des actifs correspondants. Les durées de vie utiles estimatives, les valeurs résiduelles et les méthodes d'amortissement sont révisées annuellement à la fin de chaque période de présentation de l'information financière.

Les durées de vie utiles estimatives se détaillent comme suit :

Ordinateurs
Système de distribution
Équipement de bureau
Compteurs intelligents
Outils
Les terrains n'ont pas été amortis

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5. Property and Equipment (continued)

5. Immobilisations corporelles (suite)

Property and equipment consists of the following:

Ces immobilisations corporelles sont les suivantes :

	Land / Terrain	Computers / Ordinateurs	Distribution system / Système de distribution	Office equipment / Équipement de bureau	
Cost					Coût
Balance at December 31, 2017	\$ 50,000	\$ 171,591	\$ 7,135,651	\$ 58,540	Solde, au 31 décembre 2017
Additions	6,900	1,080	198,977	2,773	Acquisitions
Disposals	-	-	(26,991)	-	Disposals
Balance at December 31, 2018	56,900	172,671	7,307,637	61,313	Solde, au 31 décembre 2018
Additions	-	7,586	175,755	908	Acquisitions
Disposals	-	-	(16,695)	-	Disposals
Balance at December 31, 2019	\$ 56,900	\$ 180,257	\$ 7,466,697	\$ 62,221	Solde, au 31 décembre 2019
Depreciation and impairment losses					Amortissement et pertes de valeur
Balance at December 31, 2017	\$ -	\$ 128,256	\$ 1,814,167	\$ 45,699	Solde, au 31 décembre 2017
Depreciation for the year	-	12,277	165,394	2,664	Amortissement pour l'exercice
Disposals	-	-	(16,310)	-	Disposals
Balance at December 31, 2018	-	140,533	1,983,051	48,363	Solde, au 31 décembre 2018
Depreciation for the year	-	8,836	169,469	2,575	Amortissement pour l'exercice
Disposals	-	-	(10,629)	-	Disposals
Balance at December 31, 2019	\$ -	\$ 149,369	\$ 2,141,891	\$ 50,938	Solde, au 31 décembre 2019
Carrying amounts					Valeur comptable
At December 31, 2018	\$ 56,900	\$ 32,138	\$ 5,324,586	\$ 12,950	Au 31 décembre 2018
At December 31, 2019	\$ 56,900	\$ 30,888	\$ 5,324,806	\$ 11,283	Au 31 décembre 2019

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5. Property and Equipment (continued)

5. Immobilisations corporelles (suite)

	Smart meters / Compteurs Intelligents	Tools / Outils	Total / Total	
Cost				Coût
Balance at December 31, 2017	\$ 368,927	\$ 19,901	\$ 7,800,610	Solde, au 31 décembre 2017
Additions	17,552	-	227,282	Acquisitions
Disposals	-	-	(26,991)	Dispositions
Balance at December 31, 2018	386,479	19,901	8,000,801	Solde, au 31 décembre 2018
Additions	16,372	-	200,621	Acquisitions
Disposals	-	-	(16,695)	Dispositions
Balance at December 31, 2019	\$ 402,851	\$ 19,901	\$ 8,184,827	Solde, au 31 décembre 2019
Depreciation and impairment losses				Amortissement et pertes de valeur
Balance at December 31, 2017	\$ 118,909	\$ 7,113	\$ 2,133,744	Solde, au 31 décembre 2017
Depreciation for the year	25,180	1,162	206,677	Amortissement pour l'exercice
Disposals	-	-	(16,510)	Dispositions
Balance at December 31, 2018	143,689	8,275	2,323,911	Solde, au 31 décembre 2018
Depreciation for the year	26,311	1,162	208,353	Amortissement pour l'exercice
Disposals	-	-	(10,629)	Dispositions
Balance at December 31, 2019	\$ 170,000	\$ 9,437	\$ 2,521,635	Solde, au 31 décembre 2019
Carrying amounts				Valeur comptable
At December 31, 2018	\$ 242,790	\$ 7,626	\$ 5,676,990	Au 31 décembre 2018
At December 31, 2019	\$ 232,851	\$ 6,464	\$ 5,463,192	Au 31 décembre 2019

During the year, the Cooperative purchased property and equipment in which \$- (2018 - \$18,758) is included in the accounts payables and accrued liabilities.

Au cours de l'exercice, la Coopérative a acquis des immobilisations corporelles dont un solde de : \$ (2018 - 18 758 \$) est inclus dans les créditeurs et frais courus.

6. Revenue Recognition

As a licensed distributor, the Cooperative is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Cooperative is required, pursuant to regulation, to remit such amounts to those third parties, irrespective of whether the Cooperative ultimately collects these amounts from customers. The Cooperative has presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized on an accrual basis, including unbilled revenues accrued in respect of electricity delivered but not yet billed. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

Other revenues, which include revenues from pole rentals, retailers' revenue and other revenues are recognized at the time services are provided. Where the Cooperative has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

6. Comptabilisation des produits

À titre de distributeur autorisé, la Coopérative est responsable de la facturation aux clients pour l'électricité produite par des tiers et pour les coûts liés à la fourniture de services d'électricité tels que les services de transmission et d'autres services fournis par des tiers. En vertu de la réglementation, la Coopérative doit remettre ces montants à ces tiers, et ce, sans égard au fait que la Coopérative, ultimement, recouvre ou non ces montants auprès des clients. La Coopérative a présenté les produits tirés de ces activités sur une base brute.

Les produits tirés de la vente et de la distribution d'électricité sont comptabilisés selon la méthode de la comptabilisation d'exercice et comprennent les produits non facturés courus relativement à l'électricité fournie, mais non encore facturée. Les produits tirés de la vente et de la distribution d'énergie comprennent les montants facturés aux clients en guise de frais administratifs de distribution. Ces montants sont comptabilisés à partir des relevés de compteurs.

Les autres produits, tels que les produits tirés de la location des poteaux, les produits des détaillants et les autres produits, sont comptabilisés au moment où le service est fourni. Dans les cas où la Coopérative a une obligation permanente de fournir un service, les produits sont comptabilisés à mesure que le service est fourni et les montants facturés d'avance sont comptabilisés en tant que produits reportés.

Lorsque les produits estimés sont moindres que les coûts liés à la prestation des services ou lorsque de l'équipement spécial est nécessaire pour répondre aux besoins spécifiques des clients, certaines immobilisations peuvent être acquises ou construites grâce à un soutien financier obtenu sous la forme d'apports de clients. Comme ces apports permettent d'assurer la fourniture continue d'électricité aux clients, ils sont classés en tant qu'apports affectés à la construction et sont amortis en tant que produits selon la méthode linéaire sur la durée de vie utile des immobilisations construites ou des apports d'actifs.

Les apports de capital sont d'abord comptabilisés à leur juste valeur, et les montants correspondants sont comptabilisés en tant qu'apports affectés à la construction.

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6. Revenue Recognition (continued)

The continuity of deferred contributions in aid of construction is as follows:

	2019	2018	
Net deferred contributions, beginning of year	\$ 1,373,076	\$ 1,355,076	Apports reportés nets au début de l'exercice
Contributions in aid of construction received	11,125	60,244	Apports reçus affectés à la construction
Contributions in aid of construction recognized as other revenue	(43,936)	(43,044)	Apports affectés à la construction comptabilisés à titre d'autres produits
Net deferred contributions, end of year	\$ 1,340,265	\$ 1,373,076	Apports reportés nets, à la fin de l'exercice

All contributions in aid of construction are cash contributions. There has not been any contributions of property and equipment.

6. Comptabilisation des produits (suite)

La continuité des apports reportés affectés à la construction se détaille comme suit :

Tous les apports affectés à la construction sont des apports en trésorerie. Il n'y a pas eu d'apports d'immobilisations corporelles.

7. Accounts Receivable, Unbilled Service Revenue and Customer Deposits

Unbilled service revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occurs within 30 days of delivery.

Customer deposits represents cash deposits from electricity distribution customers and retailers, as well as construction deposits. Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Cooperative in accordance with policies set out by the CEB or upon termination of their electricity distribution service.

7. Débiteurs, produits provenant de services non facturés et dépôts de clients

Les produits provenant de services non facturés reflètent l'électricité livrée mais qui n'est pas encore facturée aux clients. La facturation du client est généralement effectuée dans les 30 jours suivant la livraison.

Les dépôts de clients sont constitués des dépôts en trésorerie provenant des clients et des détaillants de distribution d'électricité, ainsi que des dépôts pour la construction. Les dépôts provenant des clients de distribution d'électricité sont remboursables aux clients lorsque leur niveau de risque de crédit devient acceptable selon le jugement de la Coopérative, lequel est fondé sur les politiques de la CEB, ou lorsque leur contrat de distribution d'électricité prend fin.

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7. Accounts Receivable, Unbilled Service Revenue and Customer Deposits (continued)

Recognition and initial measurement

The Cooperative initially recognizes accounts receivable on the date on which they are originated and unbilled service revenue on the date on which the Cooperative delivers the electricity but has not yet billed the customer. Accounts receivable and unbilled service revenue are initially measured at fair value.

The Cooperative initially recognizes customer deposits on the date on which the Cooperative receives the deposit. Customer deposits are initially measured at fair value.

Classification and subsequent measurement

Accounts receivable and unbilled service revenue are classified and subsequently measured at amortized cost, using the effective interest rate method, because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss. Subsequent recoveries of receivables and unbilled service revenue previously provisioned are credited to profit or loss.

Customer deposits are classified and subsequently measured at amortized cost, using the effective interest rate method.

Fair value measurement

Due to its short term nature, the carrying amounts of accounts receivable and unbilled service revenue approximates their fair value.

The fair value of customer deposits approximates their carrying amounts taking into account interest accrued on the outstanding balance.

7. Débiteurs, produits provenant de services non facturés et dépôts de clients (suite)

Comptabilisation et évaluation

La Coopérative comptabilise initialement les débiteurs à la date à laquelle ils sont générés et les produits provenant de services non facturés à la date à laquelle la Coopérative livre l'électricité mais n'a pas encore facturé le client. Les produits des services à recevoir et non facturés sont initialement évalués à la juste valeur.

La Coopérative comptabilise initialement les dépôts de clients à la date à laquelle elle les reçoit. Les dépôts de clients sont initialement évalués à la juste valeur.

Classification et évaluation subséquente

Les débiteurs et produits provenant de services non facturés sont classés et ultérieurement évalués au coût amorti selon la méthode du taux d'intérêt effectif, car ils respectent le critère du paiement du principal et des intérêts uniquement et sont détenus dans un modèle d'entreprise dont l'objectif est de détenir des actifs financiers afin de collecter les flux de trésorerie contractuels. La valeur comptable est réduite par l'utilisation d'une provision pour perte et le montant de la provision pour perte correspondante est comptabilisé en résultat net. Les recouvrements ultérieurs de créances et les produits des services non facturés précédemment provisionnés sont crédités au compte de résultat ou perte.

Les dépôts de clients sont classés et évalués ultérieurement au coût amorti, en utilisant la méthode du taux d'intérêt effectif.

Évaluation à la juste valeur

En raison de sa nature à court terme, la valeur comptable des débiteurs et des produits provenant de services non facturés se rapproche de leur juste valeur.

La juste valeur des dépôts de clients se rapproche de leur valeur comptable en tenant compte des intérêts courus sur le solde impayé.

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7. Accounts Receivable, Unbilled Service Revenue and Customer Deposits (continued)

Credit risk

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB.

The Cooperative's credit risk associated with accounts receivable and unbilled service revenue is primarily related to payments from distribution customers. The Cooperative has approximately 2,355 customers, the majority of which are residential. The Cooperative considers an account receivable to be in default when the customer is unlikely to pay its credit obligations in full, without recourse by the Cooperative, such as realizing security (if any is held). Accounts are past-due (in default) when the customers have failed to make the contractually requirements payments when due, which is generally within 30 days of the billing date.

The Cooperative considers an account receivable and unbilled service revenues to be credit-impaired when the customer has amounts more than 90 days past the billing date.

The following table provides information about the exposure to credit risk and ECLs for accounts receivable and unbilled service revenue by level of delinquency.

Past billing date	2019			2018		
	Gross / Brute	Loss Allowance / Provision de perte	Net	Gross / Brute	Loss Allowance / Provision de perte	Net
Less than 30 days and unbilled amounts	\$ 1,006,175	\$ -	\$ 1,006,175	\$ 776,900	\$ -	\$ 776,900
30-60 days	4,345	-	4,345	10,491	-	10,491
61-90 days	4,989	-	4,989	6,639	-	6,639
More than 90 days	11,026	(5,758)	5,268	12,036	-	12,036
	\$ 1,030,535	\$ (5,758)	\$ 1,024,777	\$ 806,066	\$ -	\$ 806,066

7. Débiteurs, produits provenant de services non facturés et dépôts de clients (suite)

Risque de crédit

Pour gérer le risque de crédit, la Coopérative perçoit des dépôts de garantie auprès des clients conformément aux directives de la CEO.

Le risque de crédit de la Coopérative associé aux débiteurs et des produits de services non facturés est principalement lié aux paiements des clients du secteur de la distribution. La Coopérative compte environ 2 355 clients, dont la majorité sont résidentiels. La Coopérative considère qu'un compte client est en souffrance lorsqu'il est peu probable que le client s'acquitte intégralement de ses obligations de crédit, sans recours de la part de la Coopérative, tel que la constitution d'une sûreté (le cas échéant). Les comptes sont en souffrance (par défaut) lorsque les clients n'ont pas effectué les paiements contractuels prévus à leur échéance, généralement dans les 30 jours suivant la date de facturation.

La Coopérative considère que les débiteurs et produits provenant de services non facturés sont dépréciés lorsque le client a des montants supérieurs à 90 jours après la date de facturation.

Le tableau suivant fournit des informations sur l'exposition au risque de crédit et aux PCA pour les produits de comptes clients et de services non facturés, par niveau de défaillance.

Moins que 30 jours et montants non facturés
 30-60 jours
 61-90 jours
 Plus que 90 jours

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7. Accounts Receivable, Unbilled Service Revenue and Customer Deposits (continued)

Credit risk (continued)

The Cooperative measures the loss allowance at an amount equal to the lifetime ECL for accounts receivable and unbilled service revenue. The lifetime ECL is estimated based on the expected losses over the expected life of the accounts receivable and unbilled service revenue arising from default events occurring in the lifetime of the instrument.

The Cooperative uses a provision matrix to measure the lifetime ECL of accounts receivable and unbilled service revenue from individual customers which accounts for exposures in different customer classes. Expected credit loss is measured on the basis of a loss rate approach. The Cooperative develops loss rates based on historical default and loss experiences for its' customers, adjusted for current economic conditions and forecasts of future economic conditions including local unemployment rates, local economic outlook, credit environment and other relevant economic variables impacting subsets of the Cooperative's customers. The same factors are considered when determining whether to write off accounts receivable and unbilled service revenue amounts. This generally occurs when there is no realistic prospect of recovery. However accounts written off could still be subject to enforcement activities. No accounts are written off directly to the provision for credit losses.

There have not been any changes to the risk from prior year

7. Débiteurs, produits provenant de services non facturés et dépôts de clients (suite)

Risque de crédit (suite)

La Coopérative évalue l'indemnité de perte à un montant égal à la durée de vie cumulative des débiteurs et produits provenant de services non facturés. La durée de vie PCA est estimée sur la base des pertes attendues sur la durée de vie attendue des débiteurs et produits provenant de services non facturés découlant d'événements de défaillance survenant au cours de la durée de vie de l'instrument.

La Coopérative utilise une matrice de provision pour mesurer la durée de vie PCA des débiteurs et produits provenant de services non facturés de clients individuels, qui comptabilise les expositions dans différentes catégories de clients. La perte de crédit attendue est mesurée selon une approche du taux de perte. La Coopérative élabore les taux de perte en fonction des expériences passées en matière de défauts et de pertes pour ses clients, ajustés aux conditions économiques actuelles et aux prévisions, y compris les taux de chômage locaux, les perspectives économiques locales, l'environnement du crédit et d'autres variables économiques pertinentes affectant des sous-ensembles de clients de la Coopérative. Les mêmes facteurs sont pris en compte pour déterminer s'il faut radier des montants liés aux débiteurs et aux produits provenant de services non facturés. Cela se produit généralement lorsqu'il n'y a aucune attente réaliste de reprise. Toutefois, les comptes radiés pourraient toujours faire l'objet d'activités de recouvrement. Aucun compte n'est radié directement dans la provision pour pertes sur créances.

Il n'y a eu aucune variation des risques par rapport à l'exercice précédent

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**B. Payments in Lieu of Taxes Receivables
(Payable)**

The Cooperative is a Municipal Electricity Utility ("MEU") for purposes of the payments in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As an MEU, the Cooperative is exempt from tax under the Income Tax Act (Canada) and the Corporation Tax Act (Ontario).

Under the Electricity Act, 1998, the Cooperative is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

PILs expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (See Note 4).

Significant judgment is required in determining the provision for PILs. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Cooperative recognizes liabilities for anticipated tax audit issues based on the Cooperative's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

B. Paiement tenant lieu d'impôts à recevoir (à payer)

Aux fins du régime de paiements tenant lieu d'impôts dans la Loi de 1998 sur l'électricité, la Coopérative est considérée comme un service municipal d'électricité. À ce titre, elle est exonérée des impôts exigibles en vertu de la Loi de l'impôt sur le revenu (Canada) et de la Loi sur l'imposition des corporations (Ontario).

En vertu de la Loi de 1998 sur l'électricité, la Coopérative doit verser des paiements tenant lieu d'impôts à la Société financière de l'industrie de l'électricité de l'Ontario (la « SFIÉO ») pour chaque exercice. Le calcul de ces paiements est déterminé par les règlements sur le calcul du revenu imposable, du capital imposable et de tout autre montant pertinent prévus par la Loi de l'impôt sur le revenu (Canada) et la Loi sur l'impôt des corporations (Ontario), et peut être modifié par la Loi de 1998 sur l'électricité et ses règlements d'application.

Les paiements tenant lieu d'impôts comprennent l'impôt exigible et l'impôt différé. Ces impôts sont comptabilisés en résultat net, sauf s'ils sont liés à des éléments comptabilisés directement en capitaux propres ou en soldes de comptes de report réglementaires (voir la Note 4).

La détermination de la provision pour paiements tenant lieu d'impôts repose largement sur le jugement. Dans le cours normal des activités, il existe un nombre élevé de transactions et de calculs pour lesquels la détermination finale des impôts est incertaine. Advenant une vérification fiscale, la Coopérative comptabilise des provisions pour impôts selon son interprétation actuelle des lois fiscales. Toute différence entre le résultat final de cette vérification et les montants initialement comptabilisés aura une influence sur la provision pour impôt exigible et impôt différé au cours de la période où cette différence est déterminée.

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B. Payments in Lieu of Taxes Receivables
(Payable) (continued)

Significant components of the payments in lieu of taxes expense are as follows:

	<u>2019</u>	<u>2018</u>
Current tax		
Based on current year taxable income	\$ 17,511	\$ 10,804
Adjustments for over provision in prior periods	-	372
Total provision for payment in lieu of taxes	<u>\$ 17,511</u>	<u>\$ 11,176</u>

The income tax expense varies from amounts which would be computed by applying the Cooperative's combined statutory income tax rate as follows:

	<u>2019</u>	<u>2018</u>
Basic rate applied to profit before provision for payments in lieu of taxes	\$ 128,017	\$ 104,805
Increase (decrease) in income tax resulting from:		
Small business deduction	(37,823)	(22,241)
Abatement of federal income tax	(14,008)	(8,354)
Temporary differences	(60,346)	(62,462)
Other	1,671	(372)
Provision for payments in lieu of taxes	<u>\$ 17,511</u>	<u>\$ 11,176</u>
Effective rate applied to profit before provision for payments in lieu of taxes	<u>49.50 %</u>	<u>49.50 %</u>

B. Paiement tenant lieu d'impôts à recevoir (à payer) (suite)

Les composantes importantes des paiements tenant lieu d'impôts de la Coopérative s'établissent comme suit :

Impôts exigibles
Basé sur le revenu imposable pour l'exercice en cours
Ajustements pour provisions excédentaires des périodes précédentes
Total de la provision pour paiement tenant lieu d'impôts

La charge d'impôt sur le revenu diffère des montants qui seraient obtenus en appliquant le taux d'imposition combiné prévu par la loi :

Taux de base appliqué aux bénéfices avant provision pour paiements tenant lieu d'impôts
Augmentation (diminution) de l'impôt sur le revenu découlant de :
Déduction accordée aux petites entreprises
Abattement d'impôt fédéral
Écarts temporels
Autres
Provision pour paiements tenant lieu d'impôts
Taux effectif appliqué aux bénéfices avant provision pour paiements tenant lieu d'impôts

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9. Long-term debt

9. Dette à long terme

	2019	2018	
Caisses Populaire Nouvel-Horizon			Caisses Populaire Nouvel-Horizon
Loan, 2.9%, renewable in February 2023, payable by monthly instalments of \$4,898, principal and interest, secured by a general security agreement covering all assets.	\$ 430,127	\$ 581,338	Emprunt, 2,9%, renouvelable en février 2023, remboursable par versements mensuels de 4 898\$, capital et intérêt, garanti par une sûreté générale grevant tous les actifs.
Less: current portion	(46,925)	(42,500)	Moins: tranche échéant à moins d'un an
	<u>\$ 383,202</u>	<u>\$ 538,838</u>	

The principal repayments to be made during the next five years are as follows: 2020, \$46,925; 2021, \$48,304; 2022, \$49,723; 2023, \$51,185; 2024, \$52,689. These payments have been calculated under the assumption that the repayment plan will be successfully renewed, based on the present payment terms and interest rates.

Les versements en capital à effectuer au cours des cinq prochains exercices sont les suivants: 2020, 46 925 \$; 2021, 48 304 \$; 2022, 49 723 \$; 2023, 51 185 \$; 2024, 52 689 \$. Ces versements ont été calculés en fonction des conditions de paiements et taux d'intérêts actuels, en partant de l'hypothèse que le renouvellement de la dette à long terme sera effectué aux conditions existantes.

10. Employee Future Benefits

10. Avantages sociaux futurs

Defined contribution plan

The employees of the Cooperative participate in a defined contribution pension plan. The contributions are established by a percentage of the employee's salary. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The employer portion of amounts paid to the plan during the year was \$11,224 (2018 - \$13,010). The contributions were made for current service and these have been recognized in net income in the "Salaries and benefits - Employees" account.

Régime à cotisations définies

Les employés de la Coopérative participent à un régime de retraite à cotisations définies. Les cotisations sont établies en fonction d'un pourcentage du salaire de l'employé(e). La cotisation, qui est payable contre les services rendus durant la période, est comptabilisée en charges au cours de celle-ci. La part de l'employeur des montants payés au régime au cours de l'exercice était de 11 224 \$ (2018 - 13 010 \$). Les cotisations ont été faites pour des services courants au cours de la période et elles ont été comptabilisées au résultat net au poste "Salaires et avantages sociaux - Employés".

Embrun Hydro Cooperative Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

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Pour l'exercice clos le 31 décembre 2019

11. Share Capital

An unlimited number of common shares at \$10 are authorized for issue. There are no preference shares.

	2019	2018
<i>Issued</i>		
1,542 shares (2018 - 1,554)	\$ 15,420	\$ 15,540

All shares are ranked equally with regards to the Cooperative's residual assets.

11. Capital-actions

Un nombre illimité d'actions ordinaires de 10\$ peut être émis. Il n'y a pas d'actions privilégiées.

Émis
 1 542 actions (2018 - 1 554)

Toutes les actions sont classées sur un pied d'égalité en ce qui a trait aux actifs résiduels de la Coopérative.

12. Other Revenues

	2019	2018
Pole rentals	\$ 6,665	\$ 6,989
Amortization of contributions in aid of construction (Note 6)	43,936	43,044
Retailers' revenue	2,749	2,239
Other revenue	12,774	38,883
Programs	90,288	48,977
	\$ 156,412	\$ 140,132

12. Autres produits

Location des poteaux
 Amortissement des apports affectés à la construction (Note 6)
 Produits des détaillants
 Autres produits
 Programmes

13. Capital Management

The Cooperative's objective with respect to capital management is to maintain a sufficient capital base to ensure sound and prudent management.

The Cooperative considers its capital to include share capital, contributed surplus and retained earnings, as stated on the statements of financial position. There have been no changes in what the Cooperative considers to be capital since the previous year.

Capital management is the responsibility of the Cooperative's board of directors.

13. Gestion du capital

L'objectif de la Coopérative en matière de gestion du capital est d'assurer le maintien d'un capital de base suffisant pour assurer une gestion saine et prudente.

La Coopérative considère le capital action, le surplus d'apport et les bénéfices non répartis, tel que figurant à l'état de la situation financière, comme son capital. Il n'y a eu aucun changement dans ce que la Coopérative considère comme capital depuis l'exercice précédente.

La gestion du capital est sous la responsabilité du conseil d'administration de la Coopérative.

Embrun Hydro Cooperative Inc.
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14. Commitmentes

The Cooperative signed a contract with Ottawa River Energy Solutions Inc. sub-contracting their customer invoicing. The contract expires August 31, 2021. The annual payment is based on the number of invoices produced in the year and the cost per invoice is increased by 2.85% annually.

The Cooperative signed a contract for the rental of its office space. This contract expires in December 2020. The rent payment is \$1,475 per month.

The Cooperative signed a contract with Tandem Energy Services Inc. for consultation services for the optimization of daily operations and for the OEB's regulatory requirements. This contract expires in December 2020. The annual payment of the consultation fees is \$33,000.

The minimum annual contract payments for the next two years are as follows:

2020	\$	74,744
2021	\$	36,905

14. Engagements

La Coopérative a signé un contrat avec Ottawa River Energy Solutions Inc. pour que cette corporation s'occupe de la facturation. Le contrat vient à échéance le 31 août 2021. Le paiement annuel est basé sur le nombre de factures produites pendant l'année et le coût par facture est augmenté de 2,85% annuellement.

La Coopérative a signé un contrat pour la location de ses bureaux. Ce contrat vient à échéance en décembre 2020. Le paiement de location est de 1 475 \$ par mois.

La Coopérative a signé un contrat avec Tandem Energy Services Inc. pour des services de consultation pour l'optimisation des opérations quotidiennes et pour les exigences réglementaires de la CEO. Ce contrat vient à échéance en décembre 2020. Le paiement annuel des frais de consultation est de 33 000 \$.

Les paiements minimaux des engagements pour les deux prochaines années sont les suivants :

15. Financial Instruments

Liquidity risk

The liquidity risk is the risk associated with the ability of the Cooperative to raise the necessary funds (by increasing liabilities or converting assets) to meet a financial obligation, whether or not on the statement of financial position.

The following tables present financial assets and financial liabilities on the statement of financial at book value and broken down by their remaining contractual maturities.

There have not been any changes in the risk from prior year.

15. Instruments financiers

Risque de liquidité

Le risque de liquidité correspond au risque lié à la capacité de la Coopérative de réunir les fonds nécessaires (par augmentation du passif ou conversion de l'actif) pour faire face à une obligation financière, figurant ou non à l'état de la situation financière.

Les tableaux suivants présentent les actifs financiers et les passifs financiers inscrits à l'état de la situation financière à la valeur comptable et répartis selon leurs échéances contractuelles résiduelles.

Il n'y a eu aucune variation ses risques par rapport à l'exercice précédent.

Embrun Hydro Cooperative Inc.
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Coopérative Hydro Embrun inc.
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Pour l'exercice clos le 31 décembre 2019

15. Financial Instruments (continued)

15. Instruments financiers (suite)

		2019							
		Less than 1 year / Moins de 1 an	From 1 to 5 years / De 1 à 5 ans	More than 5 years / Plus de 5 ans	No deadline / Sans échéance précise	Total / Total			
Asset							Actif		
Cash	\$	-	\$	-	\$	1,193,488	\$ 1,193,488 Encaisse		
Accounts receivable		502,060	.	.	.	502,060	Débiteurs		
Unbilled service revenue		523,740	.	.	.	523,740	Produits provenant de services non facturés		
	\$	1,025,800	\$	-	\$	1,193,488	\$ 2,219,288		
Liabilities							Passifs		
Accounts payable and accrued liabilities	\$	962,903	\$	-	-	\$	962,903	Créditeurs et frais courus	
Patronage payable						45,415	45,415	Ristournes à payer	
Long-term debt		46,915	201,901	181,301		-	430,127	Dettes à long terme	
	\$	1,009,828	\$	201,901	\$	181,301	\$	45,415	\$ 1,438,445
		2018							
		Less than 1 year / Moins de 1 an	From 1 to 5 years / De 1 à 5 ans	More than 5 years / Plus de 5 ans	No deadline / Sans échéance précise	Total / Total			
Asset							Actif		
Cash	\$	-	\$	-	\$	912,190	\$ 912,190	Encaisse	
Accounts receivable		399,610	.	.	.	399,610	Débiteurs		
Unbilled service revenue		406,456	.	.	.	406,456	Produits provenant de services non facturés		
Total of assets	\$	806,066	\$	-	-	\$	912,190	\$ 1,718,256	Total de l'actif
Liabilities							Passifs		
Accounts payable and accrued liabilities	\$	772,404	\$	-	-	\$	772,404	Créditeurs et frais courus	
Patronage payable						35,000	35,000	Ristournes à payer	
Long-term debt		46,925	256,137	278,276		-	581,338	Dettes à long terme	
	\$	819,329	\$	256,137	\$	278,276	\$	35,000	\$ 1,388,742

Embrun Hydro Cooperative Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

Coopérative Hydro Embrun inc.
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**16. Standards, Amendments and Interpretations
Not Yet Effective**

There are no other standards, interpretations or amendments issued, but not yet effective that the Cooperative anticipates may have a material effect on the financial statements once adopted.

**16. Normes, modifications et interprétations
publiées, mais non encore entrées en
vigueur**

Il n'y a pas d'autres normes, interprétations ou modifications publiées, mais pas encore en vigueur qui, selon la coopérative, pourraient avoir une incidence importante sur les états financiers une fois adoptée.

BYLAW AMENDMENTS

SECTION: COOPERATIVE RATIONALE

The Cooperative's mission to be added as follows:

Be a profitable company in order to offer its members bilingual and reliable services when it comes to electricity distribution, while contributing to the community's economic, social and cultural well-being.

SECTION 2: MEMBERS, ARTICLE 2.3

A member cannot own a share with another member.

And replaced by

A member can own a share with another member.

SECTION 7: BOARD OF DIRECTORS, SECTION 7.1

The Cooperative's Board of directors is made up of three (3) administrators elected by the members

And replaced by

The Cooperative's Board of directors is made up of five (5) administrators elected by the members

APPOINTMENT OF ADMINISTRATOR – 2019

Appointment effective December 31, 2019

To the administrator position (three-year term):

Michel Provost: Proposed by Rachelle Laplante and Marie-Claire Yvanski

SPORTS COMPLEX DONATION

The Township of Russell is looking to build a recreational facility that will serve as a sports, culture and leisure complex. The estimated cost for this complex is 50 million dollars, with a plan for three ice rinks, two pools and a theatre/auditorium that seats 250 to 300 people.

The Township of Russell has submitted funding applications to the municipal and provincial governments.

At the regular Board of directors' meeting on March 11, 2020, the following resolution was adopted:

RES-2020-023

Proposed by Pierre Camière, seconded by Jean Martel

WHEREAS the Township of Russell is looking to build a recreational facility that will serve as a sports, culture and leisure complex, at an estimated cost of 50 million dollars.

WHEREAS the Township of Russell has submitted funding applications to the municipal and provincial governments.

WHEREAS this proposition will need to be submitted for approval at the Annual General Meeting on April 14, 2020.

RESOLVED that Coopérative Hydro Embrun Inc. commits to a \$100,000 donation to the Township of Russell, according to the conditions set forth by the Coopérative Hydro Embrun Inc. Board of directors.

Adopted.

FAREWELL MESSAGE FROM PIERRE CARRIÈRE

It's the end of a beautiful era:

I started this wonderful adventure on December 5, 1978, and I'm ending it on April 14, 2020.

During that time, I've worked with six executive directors:

Maurice Bruyère, Gérard Bélisle, Jacques Énard, Claude Potier, Michel Provost and Benoit Lamarche.

The Coopérative has had seven presidents over these years:

Rosario Énard, Richard Blouin, Gérald Boyer, Robert Richard, Albert Bourdeau, Pierre Carrière and Jean Martel.

It has been an honour and a privilege to have served and represented you for the past 42 years with Coopérative Hydro Embrun Inc. (formerly known as Village partiellement autonome d'Embrun). I wish to thank all the employees who supported us and helped our company succeed.

In 1978, we were worth about \$500,000. In 2018, we were valued at nearly \$8,000,000. At first, we had a hard time paying our Ontario Hydro bill; we had to pay it in two instalments. Of course, back then, we weren't allowed to turn a profit as a municipality, whereas nowadays the Coopérative is allowed to turn a 7-8% profit.

At first, we built a distribution station with three circuits to serve our customers. In 2017, given the population increase within our territory, we added a fourth circuit and built another distribution station. Today, all four circuits are connected by a switch system at the corner of Blais and Notre-Dame, which transfers the load throughout our territory.

I'd also like to thank all the contractors who've worked for us:

Bruno Brisson Électrique, Robinson Electric, Ontario Hydro, Pierre Mercier Electric, K-Line Electric, Mike Vandelaar, Pana Electric, Dundas Powerline, Sproule Powerline Construction and John McCourt.

Lastly, a big thank you to my wife Georgette for her support and her patience, especially during power outages, because that's when the phone starts ringing.

Thank you all, and best of luck to the Cooperative in the upcoming years.

Pierre A. Carrière

SERVICES PROVIDED BY THE COOPERATIVE

TECHNICAL SERVICES

- Cable localization
- Underground services
- Overhead services
- Meter verification
- Cost estimates
- Subdivision plan and proposals
- Maintenance of tree branches
- Information on monthly electricity use of appliances

PAYMENT METHODS

- Debit card
- Pre-authorized payment
- Cheque
- Equal payments, telepayment
- Cash
- Money order
- Visa or Mastercard (online)

APPENDIX

Sir Adam Beck

Article by

H.v. Nelles

Published Online

May 28, 2008

Last Edited

March 4, 2015

As mayor he led a movement of Ontario municipalities and boards of trade to get cheap electric power from NIAGARA FALLS. In 1905 James P.

Sir Adam Beck

Sir Adam Beck, manufacturer, politician, power-authority commissioner (b at Baden, Canada W 20 June 1857; d at London, Ont 15 Aug 1925). Feared and revered as an empire builder, Beck dominated Ontario politics for a generation as he built and expanded the Hydro-Electric Power Commission of Ontario into the largest publicly owned power authority in the world. Son of a German Lutheran foundryman and miller, Beck made his name as a manufacturer of cigar boxes, outstanding athlete, mayor and MPP in London.

As mayor he led a movement of Ontario municipalities and boards of trade to get cheap electric power from NIAGARA FALLS. In 1905 James P. WHITNEY made Beck head of a public inquiry that ultimately recommended creating a municipally owned, provincially financed co-operative hydroelectric distribution system.

Supported by bipartisan public ownership advocates, the Hydro-Electric Power Commission of Ontario began in a small way in 1910, but through Beck's aggressive promotion of "Power At Cost," thousands of new industrial, retail and household customers soon were gained. By charging initial low rates to induce a large demand, then building huge, efficient generating stations whose low costs permitted further rate reductions, Beck rapidly expanded his system and drove most of his private competitors out of business. He also browbeat balky municipalities, tyrannized provincial governments with his powerful following and abused his regulatory authority to hamper private rivals. Eventually he overreached himself and E.C. DRURY's government cancelled his electric railway scheme; G. Howard FERGUSON also kept Beck and Hydro on a short leash.

As principal founder and guiding genius of ONTARIO HYDRO, Beck helped establish the public enterprise tradition in Canada, though his methods did little to render such enterprises more politically accountable.

Further Reading

H.V. Nelles,

The Politics of Development (1974); J.

Sturgeon, *Adam Beck* (1982).

Adam Beck and the Creation of Ontario Hydro

Article by

James H. Marsh

Published Online

February 10, 2011

Last Edited

March 4, 2015

With the current almost religious belief in privatization and the recent debate about selling off Ontario Hydro, it is timely to look back at a time when there was a very different view of what constituted the public good.

"The pure white light generated by God's greatest masterpiece"

With the current almost religious belief in privatization and the recent debate about selling off Ontario Hydro, it is timely to look back at a time when there was a very different view of what constituted the public good.

At the turn of the twentieth century the hopes of a prosperous future in Ontario focussed on the awesome wonder of Niagara Falls. Waterpower was the "white coal" that would fuel the new economy. Toronto journalist Hector Charlesworth remembered the exhilaration of learning that "a source of energy as vast as the

entire soft coal deposits of Pennsylvania had by some miraculous process been transferred to Canadian soil." In 1902, a coal strike in Pennsylvania showed everyone in Ontario the frustration and danger of depending on foreign sources of energy. They looked with anxiety to a cold, oncoming winter.

Adam Beck and the Creation of Ontario Hydro



Sir Adam Beck realized Ontario's electric-power capacity and chaired the enterprise that became Ontario Hydro (courtesy Canadian Heritage Gallery).

Yes the Falls had to be harnessed, but what impelled one Canadian province, among all the states of North America, to embark on the novel experiment of public ownership? The route that Ontario took had no precedent in Britain or America, but as historian Viv Nelles writes, "was the product of the unique social and political environment of early 20th-century Ontario." And to lead these forces was the imposing figure of Adam Beck.

The public power movement began modestly at a meeting in Waterloo, Ontario, on February 11, 1902, where a group of businessmen banded together to discuss creating a combined market for energy. Beck made his debut at a similar meeting in Berlin (Kitchener) in February 1903. Forceful and aggressive in all he did, whether it be tennis, lacrosse, horsemanship or politics, Beck was both mayor of London and a Conservative MLA. He preached the need for cheap, boundless power with an evangelical zeal. For Beck and his supporters, the

"civic gospel" was that if a public service was a natural monopoly run for private profit, the result was inevitable: inadequate service and exorbitant rates. Thus began the crusade for the "people's power."

Part of the driving force was the complete inadequacy of the private, mostly American owned, power companies, who planned to sell most of the power from the Falls to New York State, leaving only the surplus to Ontario. In 1905 public power entered provincial politics and the new, Conservative premier James Whitney, declared "the waterpowers of Niagara Falls should be as free as air and available...to every citizen." In 1906 Beck's Commission of Inquiry delivered its recommendation for a publicly owned utility. The idea had widespread support. The Toronto World newspaper wrote: "The greatest light that God gave to man is pure white light generated by God's greatest masterpiece - Niagara Falls. Let us keep it forever for all the people."

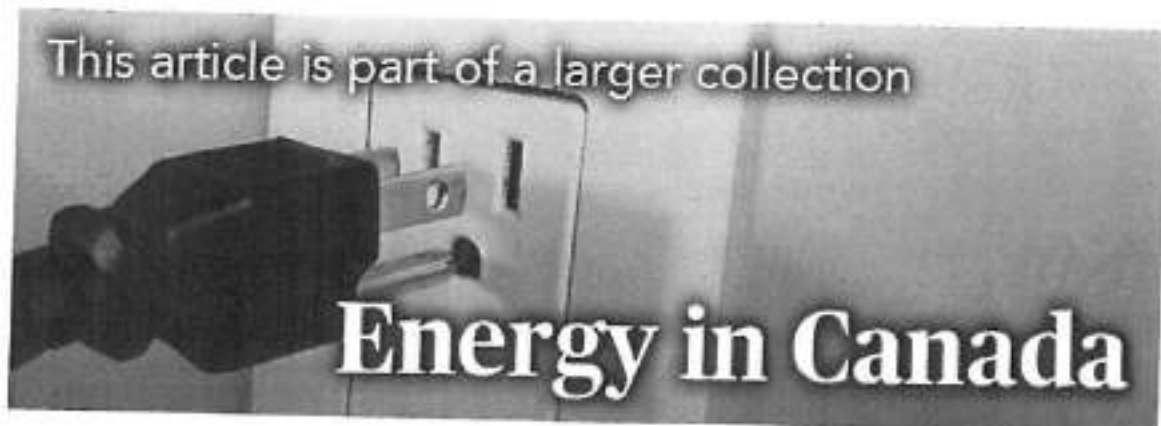
There were formidable obstacles in big business and in the premier's own procrastination, but Adam Beck was the man of the hour. When the publicly owned Hydro-Electric Power Commission went into business in 1910, amid ecstatic celebrations, it was a monument to the energy of Beck. In the contest of interests between finance capitalism on the one side and the consumers of power on the other, Beck was able to persuade the public that the financial and power elite was antagonistic to the welfare of the community as a whole.

When Ontario Hydro began to distribute power, it reduced prices by 87% and kept them as low as a third less than in the US.

"Public power was a classic radical democratic cause," writes Viv Nelles, "a defensive measure against one of the more obvious abuses of capitalism." In the classic question, "who speaks for the public good," the answer in Ontario at the turn of the 20th century was clear, Adam Beck. That is always a question worth asking.

Interested in energy production?

This article is part of a larger collection



Energy in Canada

Ontario spends \$5.6 billion to keep hydro rates steady

Category: Local News

Published: Sunday, 15 March 2020 05:00

Written by Ryan Forbes



Minister of Energy and Kenora Rainy-River MPP, Greg Rickford, says he will continue to fight to lower hydro bills across Ontario. Photo courtesy of Greg Rickford.

Kenora Rainy-River MPP and Minister of Energy, Greg Rickford, says he and his government are continuing to fight for lower hydro rates across Ontario. This comes after Ontario used \$5.6 billion to subsidize rates in Ontario to prevent additional increases.

During Question Period at Queen's Park, the NDP's John Vanthof pointed out that one of Premier Doug Ford's campaign promises was to cut hydro rates by 12 per cent, but rates have only increased since. On average, prices increased by \$24 in 2019.

"The one thing the Premier has done, he borrowed another \$5.6 billion to add on to the \$40 billion failed Liberal hydro scheme to artificially subsidize and lower people's rates. Why is the government continuing to maintain failed Liberal policies when it comes to our hydro system?"

Minister of Energy and Kenora – Rainy River MPP, Greg Rickford, responded by pointing out that Ontario's former Auditor General found that the Liberal's Fair Hydro Plan was 'anything but.'

"It was time to move swiftly to dismantle the Fair Hydro Plan to let people of Ontario know exactly how much their bill would be, and how much of the subsidy is coming from the tax-base. That's exactly what we've done."

Minister Rickford introduced the Fixing the Hydro Mess Act in 2019, which called for over \$442 million in savings over three years by streamlining electricity conservation programs, and called for Ontario to borrow \$4 billion to maintain the Liberals' 25 per cent hydro rate reduction subsidy.

Rickford says the \$5.6 billion is to keep hydro rates at the rate of inflation. He added that between 2008 and 2010, the price of electricity doubled under the former Liberal provincial government.

"We're getting rid of the fat in this system to make it more lean and efficient. We're going to be delivering on a rate that people can afford, and will help create certainty for them as they manage their businesses."

Rickford added that Ontario saved itself \$790 million by tearing up the Green Energy Act. However, the cancellation of over 750 contracts reportedly cost the province a minimum of \$231 million, after an unidentified expense was found in the Ministry of Energy's public records in late 2019. However, the \$231 was confirmed to be a contingency fund, and any unused funds will be returned to the tax-base.

For more information:

Rickford blames Liberals for hydro 'mess'

Rickford's hydro overhaul 'wasting billions', NDP

Rickford blames Liberals for hydro 'mess'

Category: Local News

Published: Wednesday, 30 October 2019 05:00

Written by Ryan Forbes



Kenora Rainy-River MPP and Energy Minister Greg Rickford says his provincial government inherited a 'mess, an unmitigated disaster' in the energy sector, and his ministry is continuing to work towards cutting hydro bills across the province.

Kenora Rainy-River MPP Greg Rickford and his provincial government are continuing to work on fixing an 'unmitigated disaster' in the energy sector, as hydro bills continue to rise across the province.

On November 1, the Ontario Energy Board says rates are set to increase by roughly \$2 or 1.8 per cent of a typical residential customer, who uses 700 kilowatt hours per month.

The OEB says the rates are increasing due to inflation, government legislation aimed at reflecting the actual cost of supply on bills, and due to the refurbishment of nuclear energy facilities. Customers' bills are expected to be updated by the end of November.

During Question Period at Queen's Park, the NDP's critic for energy and climate crisis and Toronto-Danforth MP, Peter Tabuns, pointed out that lowering hydro bills by 12 per cent was one of Premier Doug Ford's campaign promises, but prices have actually increased by roughly \$24 per year.

"The rates now reflect the actual cost of hydro. They show that the actual costs of hydro have risen by roughly 15 per cent in the past three years. The Premier's promise to lower hydro bills by 12 per cent is getting further and further out of reach as hydro rates go up on November 1, not down. The people of Ontario are tired of stretch goals and broken promises."

However, Kenora Rainy-River MPP and Minister of Energy, Northern Development and Mines and Indigenous Affairs, Greg Rickford, says he and his government are working to fix a disaster situation, inherited by the previous Liberal government.

"We inherited a mess, an unmitigated disaster, and we took important steps immediately to reduce costs system-wide, to introduce legislation and to guarantee that we would get to a place where we could cut costs, not subsidize them and not saddle ratepayers with further debt."

Rickford added that between 2006 and 2010, the price of electricity doubled under the former Liberal provincial government. Steps taken to address the issue include repealing the province's Green Energy act and introducing the Fixing the Hydro Mess act.

"We have taken these important steps so we can now move forward with industrial, small businesses and families across the province to a cut model that will see those costs reduced, after the terrible legacy of the Liberal group," Rickford added.

Previously, residential, farm and most small business electricity consumers received a reduction on their bill that was built into the price of electricity. This meant that you could not see the amount of the reduction or the true cost of electricity.

Starting November 1, the built-in reduction and the previous 8 per cent rebate are being replaced with the Ontario Electricity Rebate (OER). This will allow you to see the true cost of electricity on your bill and the full value of your OER if you are eligible for it. All ratepayers who were eligible for the previous rebate will receive the OER as of November 1.

Ontario Election

Why former politicians can be full of surprises

Former Ontario finance ministers Dwight Duncan, Ernie Eves, and Floyd Laughren. (Steve Paikin)

By Steve Paikin - Published on April 11, 2018



One of the most enjoyable aspects of following politics is checking in with politicians once they've left office. It's only then that you find out what they *really* think about the issues, when they're free from the constraints of caucus solidarity and being a team player.

So it was with considerable interest that I moderated a discussion in Toronto last week featuring three former Ontario finance ministers: the NDP's Floyd Laughren (1990-95), the Progressive Conservatives' Ernie Eves (1995-2001), and the Liberals' Dwight Duncan (2007-13).

Like all cabinet ministers, they had to be good soldiers in their day, toeing the party line and backing up their respective premiers (Bob Rae, Mike Harris, and Dalton McGuinty), leaving not a shred of daylight between their position and their bosses'.

But having left public life, they are far freer to tell us what they truly think about the issues of the day — and, boy, were they full of surprises at this particular gathering of the Ontario Energy Association's Speaker Series.

"None of our political parties is telling the truth about the electricity situation in Ontario," said Duncan.

"We've never had an open, transparent discussion about the cost of electricity," echoed Eves, who was also Ontario's 23rd premier.

These two should know. Both of them threw market thinking out the window and, bowing to political pressure, used the public purse to subsidize electricity prices. And in both cases, the solutions brought immediate political relief — but they also kicked the financial can down the road for future generations of taxpayers to pick up.

But even Laughren, Eves, and Duncan have been astonished by the current Liberal government's solution to tamping down public outrage over high hydro prices.

"We're going to borrow \$19 billion today and pay back \$45 billion decades down the road so we can have cheaper prices now," Eves said, shaking his head. All three ministers lamented that the government seems to be more focused on coming up with temporary fixes than on having adult conversations about the extent to which the public purse should be used to subsidize electricity prices, and whether manufacturers should get special rates in the interest of making Ontario more competitive.

On the subject of the current government's partial privatization of Hydro One, all three ministers veered from their former parties' positions.

The current NDP wants to put the electricity-distribution company back in public hands. But, Laughren readily admitted, "I don't think there's enough cash in the bank to do that."

Eves was finance minister when the PC government of the 1990s first tried to deregulate and privatize Ontario Hydro. But during last week's discussion he said that, in selling off the majority of Hydro One, the current government has made a big mistake.

"Hydro One has a crucial public-policy mission," Eves said. He argued that only a minority of the shares should have been sold. (The Liberals have privatized 60 per cent of Hydro One.) "What's next? Do we sell off our health-care system? Our social-assistance system?"

But perhaps the most surprising answer came from Duncan, the former Liberal minister, who not only approved of selling off Hydro One, but also said, "I'd sell off the LCBO, OLG, and OPG, too!" — referring to the provincially owned liquor store, the lottery and gaming corporation, and the huge player in electricity generation. "I think they should all be privatized."

Eves's position was no doubt influenced by the fact that Mike Harris's PC government sold Highway 407, which became the first privately built and operated toll highway in the province. "I sold it for \$3.5 billion, and I'm still getting hell for it," he said. "I should have sold less than 50 per cent of it, and the province would still be making money from it."

When Duncan asked whether Eves had ever had responsibility for Hydro One, the former premier answered, "Oh, yeah — I fired the whole board." But Duncan pointed out if the government is still the majority shareholder of these Crown corporations, political realities will inevitably come into play, "and the government will continue to order them what to do" — in which case, market discipline will never happen.

All three men brought in controversial budgets in their day. Laughren famously promised to fight the recession of the early 1990s rather than the deficit. But interest rates were higher then, and Ontarians quickly soured on the province's scary-looking bottom line.

It was Duncan, now a senior strategic adviser for McMillan LLP, who brought in the province's highest-ever deficit — \$19 billion, during the worst of the Great Recession. But with fears of economic catastrophe then at a generational high, those Liberals weren't punished for Duncan's spending. In fact, they were re-elected in 2011.

While all three ministers were downright horrified by the size of the debt the current government is prepared to run, they were also highly skeptical of PC leader Doug Ford's promise to "drive efficiencies" to find four cents of savings in every dollar the government spends.

"That is a laughable statement to make," said Laughren, former chair of Laurentian University and chair-elect of Sudbury's Health Sciences North. "He should be called out on that. It's a scam."

Doug Ford (unintentionally) reminds people that privatizing Hydro One was a bad idea

UPDATE: Doug Ford believes Liberal government claims about Hydro One Governance Agreement

Ottawa (12 April 2018) — Given his support for privatization, Ontario PC leader Doug Ford probably didn't mean to remind people of why privatizing Hydro One was a bad idea. But when he promised to fire the President and CEO of Hydro One if he becomes premier, he managed to do that.

When a public service like Hydro One is privatized, governments lose the ability to remove the president or other senior officials. Instead, that decision rests with a board that is accountable to shareholders, not the public. Because of the provincial Liberals' privatization of electricity distribution, the Ontario government now owns less than half the shares in Hydro One.

Unless Doug Ford commits to bringing Hydro One back under public ownership, his promise to fire the president and CEO of Hydro One is meaningless.

Executive salaries at Hydro One skyrocketed since privatization

Since Hydro One was privatized, executive salaries have skyrocketed. The President and CEO of Hydro One makes 8 times more than when Hydro One was publicly owned — \$8.2 million. The top 5 executives collectively make \$14 million.

Privatization will cost Ontarians at least \$1.8 billion

The Financial Accountability Office of Ontario has estimated (<http://fao-on.org/en/Blog/media/hydro-one-update-MR>) that selling 53 per cent of Hydro will actually cost the province money. The lost revenue from dividends will cost the province \$1.8 billion more than it would have cost to borrow money for new infrastructure projects.

Those figures don't include the impact of privatization on electricity rates. In Nova Scotia, when electricity services were privatized, rates increased significantly.

PCs set the stage for Liberal privatization of Hydro One

While it was the Ontario Liberals that privatized Hydro One, it was legislation passed by the last PC government in Ontario that made it possible. That legislation made it possible for the Liberals to sell off Hydro One without needing to get the approval of the provincial legislature.

Partial privatization of electricity generation pushing up costs

While the PCs didn't manage to privatize all electricity services, they did manage to partially privatize electricity generation. The partial privatization of electricity generation is one reason why Ontario is paying so much for electricity.

If electricity generation were public, Ontarians would only pay what it actually costs to generate. Instead, with privatization, for much of Ontario's electricity supply, Ontarians have been locked into fixed-price agreements with private producers. These fixed price agreements have forced Ontarians to pay far higher prices than they would if electricity were publicly controlled.

As well, privatization has enabled private electricity generation companies to take advantage of electricity users. In December 2017, the Auditor General of Ontario reported (http://www.auditor.on.ca/en/content/news/17_newsreleases/2017news_3.06.pdf) that owners of private natural gas plants are getting at least \$30 million a year more than they should. Further, that private companies generating electricity were billing the public for ineligible or inappropriate costs. Also in December, CBC reported (<http://www.cbc.ca/news/canada/toronto/goreway-power-station-investigation-1.4433061>) that a privately owned natural gas plant billed electricity users for \$100 million in inappropriate expenses.

Public ownership only way to control electricity costs

Without public control of the electricity system, it will be more difficult for Ontario to control things like rapidly rising executive compensation or private electricity companies gaming the system. Unfortunately for Ontarians, most politicians are willfully ignoring that fact. Of the 3 largest political parties, only the Ontario NDP is proposing to reverse the privatization of Hydro One.

UPDATE: Doug Ford believes Liberal government claims about Hydro One Governance Agreement

Throughout the privatization process, the Liberal government claimed that selling off up to 60% of Hydro One wouldn't result in a loss of public control. To justify this claim the Liberals pointed to provisions in the governance agreement between the province and Hydro One that allow the province to nominate 40% of the board of directors and remove the board.

What the Liberals didn't mention is that, under the Governance Agreement, both the election of the provincial government nominees and the removal of the board still have to be approved at a meeting of shareholders. And when the provincial government doesn't have a majority of the shares it cannot guarantee that it will get what it wants at a shareholders meeting.

NUPGE

The National Union of Public and General Employees (NUPGE) is one of Canada's largest labour organizations with over 390,000 members. Our mission is to improve the lives of working families and to build a stronger Canada by ensuring our common wealth is used for the common good. — NUPGE

Issues and Campaigns: Privatization ([/issues/privatization](#))

All Together Now! ([/taxonomy/term/312](#))

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Toronto

Doug Ford's changing the look of your hydro bill – but no, you won't be saving more money

Bills will show full cost of electricity starting Nov. 1, with all government subsidies highlighted

Mike Crawley · CBC News · Posted: Oct 15, 2019 12:07 PM ET | Last Updated: October 15, 2019



A change mandated by the Ford government means that when Ontario electricity consumers check their hydro bills next month, the figures will look different, although the bottom line will remain essentially the same. (Colin Perkel/The Canadian Press)

comments



The Ford government is forcing electricity providers across Ontario to change the layout of residential hydro bills, making the province's subsidy appear more prominently.

Starting in November, new hydro bills will show the full un-subsidized per-kilowatt-hour price of electricity. The approximately 25 per cent in subsidies introduced by the previous Liberal government will be highlighted on one line, under the heading "Total Ontario Support."

The only subsidy explicitly appearing on current bills is the eight per cent rebate of HST, as a further 17 per cent subsidy is buried in the per-kilowatt-hour price.

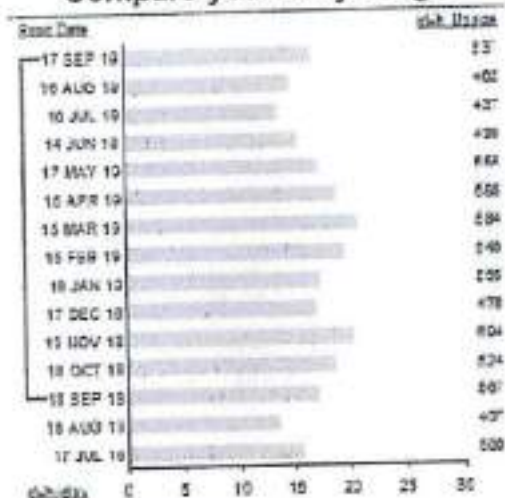
No changes are expected to the actual price that residential hydro customers end up paying for electricity, as hydro rates are in the middle of a promised four-year freeze.

It means when Ontario consumers check their hydro bills next month, the figures will look different, although the bottom line will remain essentially the same.

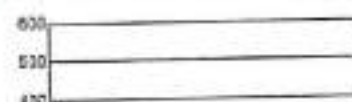
Your Electricity Charges

Electricity	
Electricity distributed by TORONTO HYDRO	
Time of use - Summer	
66,180 kWh On-peak (Highest Price) @ \$0.134 / kWh	8.87
89,620 kWh Mid-peak (Mid Price) @ \$0.094 / kWh	8.42
381,200 kWh Off-peak (Lowest Price) @ \$0.065 / kWh	24.78
Delivery	55.91
Regulatory	2.44
Your Total Electricity Charges	100.42
H.S.T. (H.S.T. Registration 896718327RT0001)	13.05
8% Provincial Rebate	8.03 CR
Your Previous Charges	
Amount of last bill	95.64
Payment Received Sep 10 2019 - Thank You	95.64 CR
Balance Forward	0.00
Amount to be Withdrawn Oct 13 2019	\$105.44

Compare your daily usage



Time of use Comparison



The full subsidy of electricity rates in Ontario does not appear on current hydro bills, only the rebate of HST. Starting next month, a higher per-kilowatt-hour price will be shown, and the province's subsidy will appear on a separate line. (CBC)

The move is about fulfilling the government's commitments on "improving transparency and accountability in the electricity sector," said Energy Minister Greg Rickford's spokesperson, Sydney Stonier.

"Electricity bills will be more transparent with a new on-bill rebate which will reflect the true cost of power and is clearly displayed in a single line item," Stonier said in an email to CBC News.

- [PC Leader Doug Ford pledges to cut hydro bills by 12% if elected](#)

A government-relations firm that analyzes the electricity sector questions whether there's a political motive to the change.

"If the average Ontarian did not realize their bill was being massively subsidized, which polling indicates is the case, then showing a new government subsidy line on bills may give the appearance that the savings themselves are new," says Mitchell Davidson, director of the Institute of Public Policy and Economy, an arm of the Toronto-based consulting firm StrategyCorp.

In an analysis [published](#) on the firm's website, Davidson says it's logical that the government should inform people about how expensive electricity really is, and how much the subsidy is. He also compares the government's move to a car company offering a \$1,000 rebate on the price of a new vehicle, rather than simply lowering its sticker price by \$1,000.



The change to hydro bills will make the cost of electricity more transparent, said a spokesperson for Energy Minister Greg Rickford. (Frank Gunn/The Canadian Press)

"There is a chance that Ontario families credit the Ford government with implementing the new savings," writes Davidson, a former policy adviser to Premier Doug Ford.

After sharply rising hydro bills became a big political headache for Kathleen Wynne's Liberals, her government introduced what it called the Fair Hydro Plan, a 17 per cent subsidy of electricity prices. The plan was financed through borrowing that the Liberals equated to a longer amortization period on a

mortgage. The extra borrowing costs did not appear on the government's books, a decision that the auditor general criticized.

- **Ford government cancels electricity conservation programs**

Government-commissioned polling suggested most Ontarians didn't know electricity prices had come down during the latter phase of Wynne's time in office, in large part because the Fair Hydro Plan subsidy did not appear on hydro bills.

The Progressive Conservatives **repealed** the legislation behind the Liberals' Fair Hydro Plan but kept the subsidy in place, accounting for its \$2.4 billion annual costs on the government's books.

The PCs **promised** during the 2018 election campaign to cut the price of electricity by a further 12 per cent. Prices have not come down since Premier Doug Ford's PCs came to power.

The long road to privatization of Hydro One



A fleet vehicle makes its way into the the Hydro One Claireville Transfer Station in Vaughan, Ontario Monday March 9, 2015.

TIM FRASER/THE GLOBE AND MAIL

ADRIAN MORROW > U.S. CORRESPONDENT
JACQUELINE NELSON > INSTITUTIONAL INVESTMENT
SEAN SILCOFF > TECHNOLOGY REPORTER
PUBLISHED MARCH 13, 2015
UPDATED MAY 12, 2018

PUBLISHED MARCH 13, 2015

This article was published more than 5 years ago. Some information in it may no longer be current.

0 COMMENTS SHARE

Ontario Premier Kathleen Wynne is poised to embark on one of the largest privatization gambits in province's history, selling off part of a Crown corporation that has bedevilled her predecessors. Her goal: to rationalize the province's electricity market with a major reform and find money to pay for her many infrastructure projects.

Three previous premiers have considered selling ownership stakes in Hydro One Inc., which runs most of the province's electricity transmission and distribution to some 1.4 million customers. However, previous truncated or abandoned efforts, and other missteps, have left Ontario's electricity system struggling to cope with inefficiencies and competing demands.

Now, Ms. Wynne is eyeing an initial public offering of the company. The plan is to use the money raised from the IPO to help fund her ambitious \$29-billion program of new subways, rail lines and roads and to spur consolidation of province's patchwork of local electricity distributors. With an estimated value between \$15-billion and \$16-billion, Hydro One is an attractive target for privatization.

Privatization of government-owned entities has a mixed history in this country. It has worked for companies such as Potash Corp. of Saskatchewan and Canadian National Railway Co., while the long-term lease of Ontario's Highway 407 to private interests has led to increased costs for consumers and less money for government. Some private power deals in Ontario – including the cancellations of two gas-fired power plants – have also added to electricity rates.

Ms. Wynne's plan is certain to meet opposition from the unions representing Hydro One workers as well as the NDP, who characterize the plan as a proposal to enrich big business while depriving the province of a long-term revenue source.

The Premier must also please investors who argue the government should privatize the entire operation, giving stakeholders more control over the business. Hydro One also has enormous pension costs, with employees putting in only a fraction of the money needed to cover their benefits, with hydro ratepayers and the government picking up the rest. Many believe it will take a private owner to negotiate more forcefully with the unions.

Asked whether Ms. Wynne has the resolve to push forward where others have balked, Infrastructure Minister Brad Duguid said Friday: "This Premier has the steel to make these decisions. She's determined to ensure that we get full value out of those assets, not just for the sake of doing so, but to make sure we have the ability to invest in building a stronger province."

Staggering toward privatization

The roots of Ontario's electricity privatization woes date back a generation, when Ontario Hydro was the province's all-encompassing utility. In the early 1990s, power prices skyrocketed, along with the size of Ontario Hydro's debt, due to massive cost overruns and delays in the construction of the Darlington nuclear facility east of Toronto. In 1993, the NDP government of Bob Rae froze energy prices and they remained frozen for nearly a decade. By 1999, Ontario Hydro's \$38.1-billion in debt accounted for about a third of total provincial borrowings.

Mike Harris promised sweeping changes to reform the electricity market when his Progressive Conservative Party swept to power in 1995. Under his watch, Ontario Hydro was split in two, with one part holding its generation assets (Ontario Power Generation) and the other owning its transmission business (Hydro One). Eventually, Hydro One became the province's biggest distributor, buying utilities from many rural municipalities.

The big test came in 2002, when the government unfroze prices and prepared to sell Hydro One in an IPO. However, it was an unusually hot summer and excessive electricity use caused prices to spike. Facing widespread backlash, new Conservative premier Ernie Eves cancelled plans for an IPO and, in November, 2002, again froze electricity rates. The province was left with a botched, unfinished privatization effort and no easy solution to the hydro debt burden.

"Our attempt to create competition in one segment of the industry [power generation] where it's feasible, frankly, failed," said Michael Trebilcock, who worked on an Ontario government committee in the late 1990s to prepare for the market reforms that ultimately fell short.

Dalton McGuinty's Liberals, who replaced Mr. Eves's government in 2003, continued to toy with privatization of Hydro One. In 2009, they hired bankers to evaluate the possibility of selling parts of the province's Crown corporations, but those plans did not materialize.

The province did, however, move ahead with private power generation. As part of a larger push to close coal-fired power plants, the government contracted various companies to build gas plants. While most of these deals came to fruition, two of them went spectacularly wrong because of political interference. In the lead-up to the 2011 election, the Liberals killed two unpopular plants in the suburbs west of Toronto in what was widely seen as a move to save local incumbent MPPs from defeat. The move cost an estimated \$1.1-billion, much of it borne by ratepayers.

Another significant problem has been the inefficiency of the province's distribution system, with 70 local distribution companies and Hydro One selling power across the province. The resulting inefficiencies have kept rates high while taxes and red tape make it difficult for municipally owned utilities to attract private investors.

The Wynne government, elected last year, has proven open to privatization. Wary of the mistakes of the past, she was determined the process should be well-thought out and protect the interests of ratepayers. Last year, she appointed former banker Ed Clark to lead a study of government assets and figure out how the province could extract the most money out of them without giving up control. Mr. Clark's team, which includes former Ontario cabinet ministers Janet Ecker and Frances Lankin, has become a quasi-arm of government, working closely with Ms. Wynne and a handful of senior ministers, including Mr. Duguid, Finance Minister Charles Sousa and Energy Minister Bob Chiarelli.

Their original recommendation for Hydro One, unveiled last fall, was to hive off the distribution arm of the company and sell part of it to the private sector while leaving transmission in government hands. The more recent idea, keeping the company intact and selling shares on the stock market, came after potential investors encouraged them to consider other options, and after unions, who are opposed to any form of privatization, signalled they would prefer keeping Hydro One whole than splitting it up.

The final recommendation is expected to go to cabinet in April, and be formally unveiled with the budget, expected shortly thereafter.

'A mixed bag'

Public ownership of the electricity sector has been fraught with challenges for decades. The business of generating and transmitting energy is often seen as a natural monopoly, while distribution is not. But the political will to sell even part of the business often runs into stiff public opposition.

For example, former Hydro-Québec CEO André Caillé acknowledged it would make sense to privatize the utility's distribution arm – an asset he estimates is worth more than \$6 billion. But he added that will likely never happen. "Quebeckers see Hydro Quebec as a big achievement and [believe] it should not be touched," he says.

In contrast, the electricity business in Alberta has been the wheelhouse of public companies and even foreign investors. Last year, Berkshire Hathaway Energy, the power and utility arm

of Warren Buffett's conglomerate, bought AltaLink, the province's largest electrical transmission company.

The most obvious forerunner for what Mr. Clark and Ms. Wynne are contemplating was the privatization of Halifax-based Nova Scotia Power Corp., the province's electric generation, transmission and distribution giant.

In 1992, Nova Scotia premier Donald Cameron wanted to improve the province's credit profile by moving the utility and its \$2.4-billion in debt off the balance sheet. The original plan was to sell more than half the company in an IPO so it could fund itself on the market. Nova Scotia eventually sold the entire utility in a share offering worth more than \$800-million and the company's name changed to Emera Inc. in 2000.

Two decades later, Emera has been successful in many ways. The company is financially solid and has expanded into the United States and the Caribbean. Still, Nova Scotians pay among the highest prices in the country for power.

"I think that experience is something of a mixed bag," energy consultant Tom Adams said.

"Although Nova Scotians pay high energy prices, Emera and Nova Scotia Power are good corporate taxpayers."

Ms. Wynne is calculating that a partial privatization – for which there is little precedent – will be a compromise everyone can live with. Investors will be able to own a piece of a good asset while government retains control, placating the fears of customers and keeping the unions satisfied.

However, investors are unlikely to pay top dollar for the company's stock if the government retains control, Mr. Trebilcock warns. "This complicates the picture. You have to think of private investors as the government retains an influence over the way things are run," he said. "The government may have all kinds of non-financial objectives that it could impose these on the enterprise."

Leo de Bever, who worked for Ontario Teachers' Pension Plan Board in the early 2000s, when it bid to buy Hydro One alongside the Ontario Municipal Employees Retirement System, said such a deal would be more like investing in a bond, because there might not be the growth in Hydro One that he would expect from an equity investment.

"You can't have it both ways: controlling the assets and not owning it at the same time. Selling means giving up control and relying on fair regulation to balance public and private interests," he said.

The unions, meanwhile, have been running anti-privatization ads, pointing to previous troubled power privatizations and arguing a sell-off will mean higher rates.

Ms. Wynne's government is vowing to stand firm. "We believe we have the right rationale for doing this in the first place," one senior government source said, arguing the plan would be to shift dollars from one government asset to a new use, infrastructure. "That rationale is important. We know why we're doing this and we know why it's worthwhile to do."

SELECT CURRENT CANADIAN CROWN CORPORATIONS

By total 2013 assets, in billions of dollars

Canada Mortgage and Housing Corporation

\$289.1

Canada Pension Plan Investment Board

226.9

Hydro Quebec

74.9

Ontario Power Generation

38.5

B.C. Hydro

23.8

Hydro One

22.6

Canada Post Corporation

6.4

Canadian Broadcasting Corporation

1.7

VIA Rail Canada Inc.

1.3

LCBO

980-million

JOHN SOPINSKI/THE GLOBE AND MAIL

EXPLAINER

Why does Ontario's electricity cost so much? A reality check

Ontarians pay steeper rates for their power than any other province, and a decade's worth of policy choices have made it that way. Adrian Morrow and Tom Cardoso address the key questions about how we got here and what the province could do to fix it



PHOTOS.COM

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Editor's Note: This story was originally published in January of 2017.

Electricity prices in Ontario have soared in the past decade. Since 2006, the top rate for power has risen four times as fast as inflation.

The problem has aggravated voters, piled on costs for business – particularly factories and other industrial enterprises – and remained one of the most persistent hot buttons for the province's politicians.

Facing record-low approval ratings, Premier Kathleen Wynne last September announced an 8-per-cent subsidy for residential and small-business bills, which took effect Jan. 1.

How did we get here? How high are electricity prices exactly? How does Ontario compare with other jurisdictions? And what can we do to drive rates down?

The short answer is that a series of policy decisions – most significantly, upgrading infrastructure and signing fixed 20-year deals with private companies to produce electricity – have increased prices over the past decade.

It hasn't helped the government that a series of controversial decisions, such as cancelling two gas-fired power plants for political reasons and privatizing Hydro One, have intersected with electricity policy and attracted blame for the high prices. While the cancellation of the plants has driven up rates, it's a relatively small part of the overall increase; the Hydro One privatization, meanwhile, has not yet had an effect.

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HOW MUCH DO ONTARIANS PAY FOR POWER?

Ontario's electricity prices are far higher than those in the rest of the country. Quebec, for example, enjoys rates less than half of those in Ontario. The international picture is more complicated. Ontario rates are generally significantly lower than those across the border in New York and about half what Germans, Danes or Italians pay.

The bad news, for consumers and the government, is that rates likely will not be coming down any time soon.

Use our calculator to find out how much you'd pay for your monthly electricity bill in cities across Canada and the U.S.

I live in a in

that is roughly square feet

CALCULATE

THE GLOBE AND MAIL, SOURCE: NATURAL RESOURCES CANADA AND HYDRO-QUÉBEC

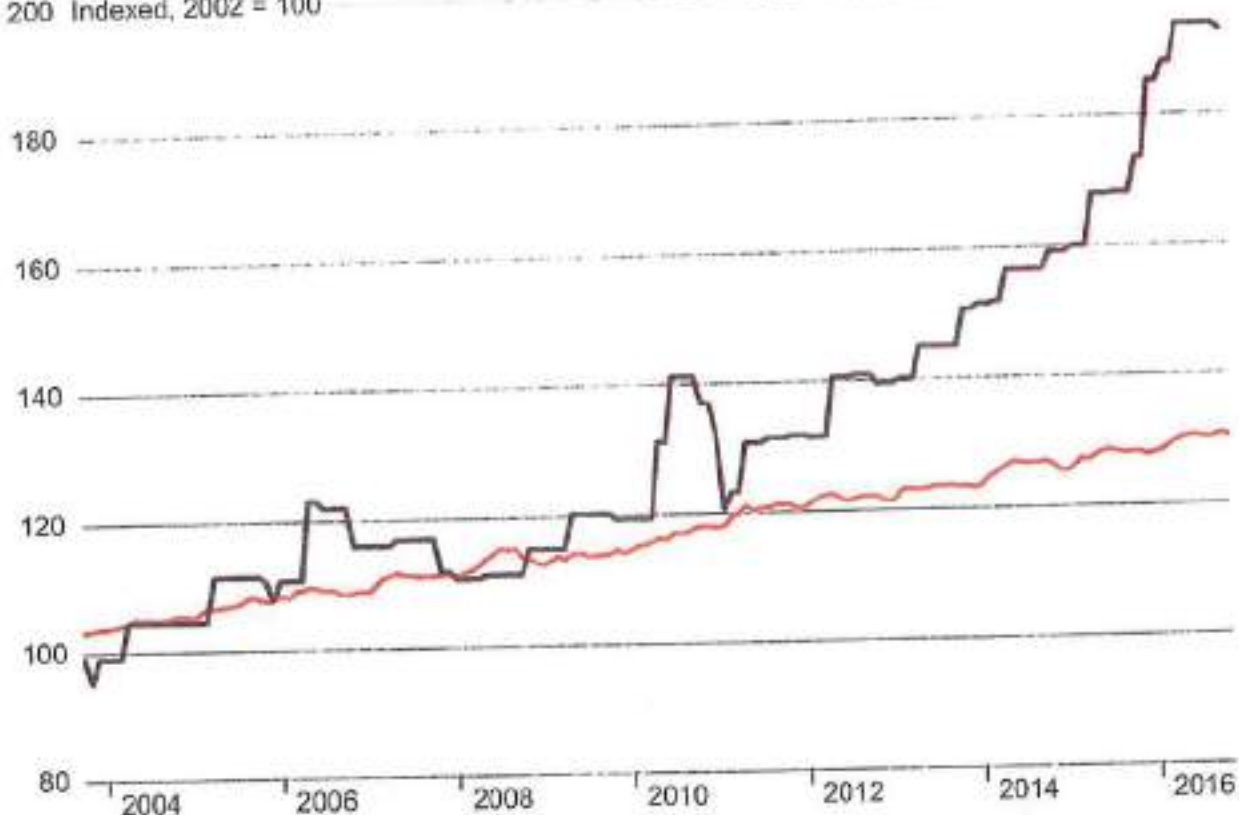
[\(Return to table of contents\)](#)

HOW HIGH ARE ELECTRICITY PRICES EXACTLY?

Ontario consumer price index, electricity vs. all items

Electricity All items

200 Indexed, 2002 = 100



THE GLOBE AND MAIL, SOURCE: STATSCAN

DATA SHARE

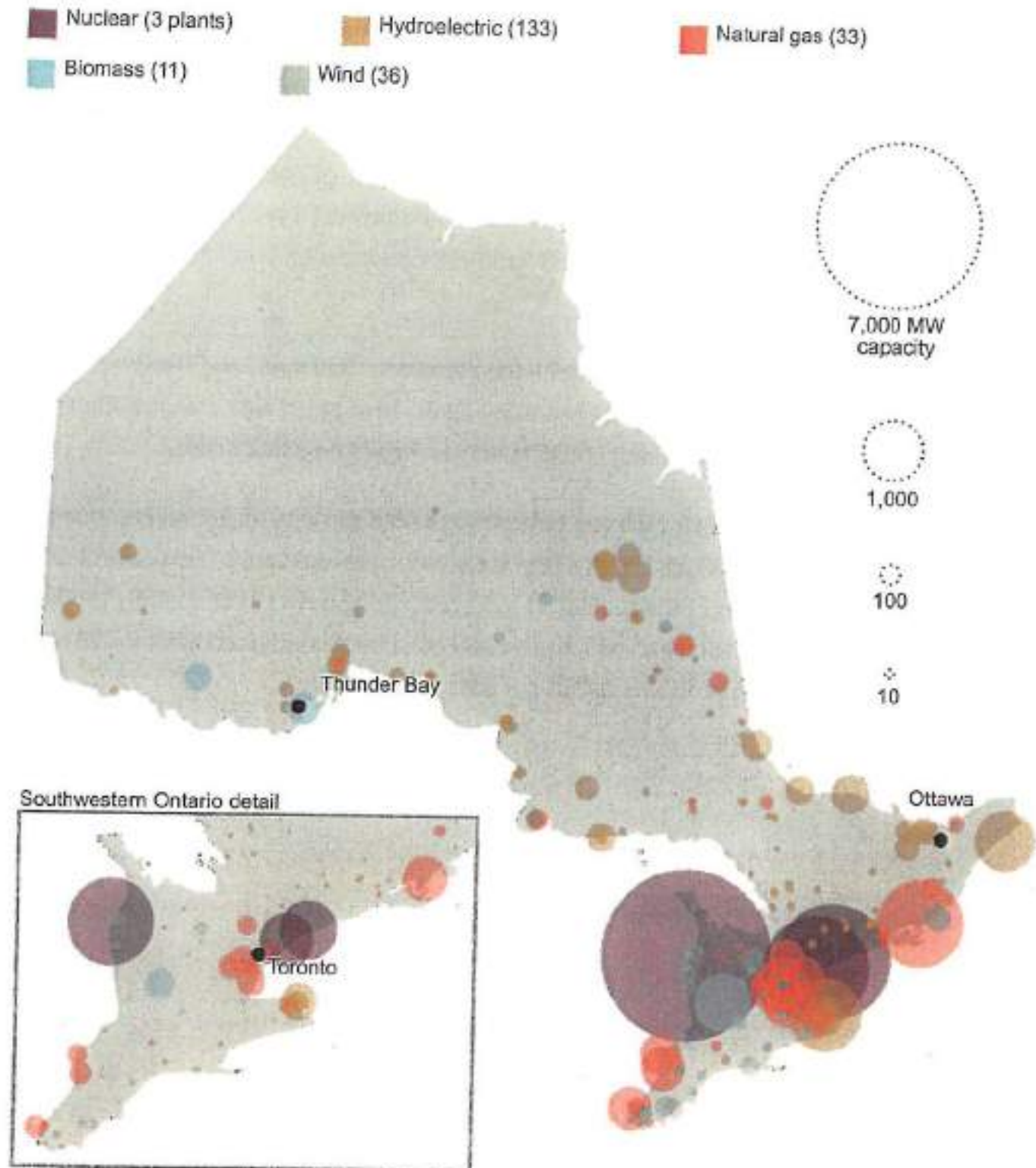
In November, 2006, when the Ontario Energy Board set the first new rates after a four-year freeze, off-peak electricity cost 3.5 cents a kilowatt hour, mid-peak power cost 7.5 cents a kilowatt hour and on-peak, when juice is most in demand, was 10.5 cents a kilowatt hour. The current rates, set in November, 2016, are 8.7 cents, 13.2 cents and 18 cents.

That means the price of off-peak power has rocketed up 149 per cent over a decade, mid-peak power has shot up 76 per cent and on-peak is up 71 per cent. By way of comparison, inflation in Ontario over the same period was about 18 per cent.

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WHERE DOES ONTARIO'S POWER COME FROM?

Ontario's power generation infrastructure



Note: Data last updated by the Canadian Electricity Association on Jan. 3, 2013. Capacity scale applies only to main map.

THE GLOBE AND MAIL, SOURCE: CANADIAN ELECTRICITY ASSOCIATION

Despite the colloquial use of the term "hydro" as a synonym for electricity in Ontario, the province actually uses a mix of sources – not just hydroelectric dams – to get its power.

By far, the largest source of electricity in Ontario is nuclear, accounting for about 60 per cent of the electricity produced in 2015. The province has three nuclear plants: the government-run Darlington and Pickering nuclear generating stations, east of Toronto, and the Bruce Nuclear Generating Station, on Lake Huron, which is run by the private company Bruce Power.

The second-largest source is hydroelectricity, which accounted for 24 per cent of generation in 2015, followed by natural-gas plants (10 per cent) and wind power (6 per cent). Biofuel (which essentially means burning wood pellets) and solar power each provided less than 1 per cent of the province's power supply.

Generally speaking, the power supply can be divided between "baseload" and "peaking" power. The baseload generation is typically running all the time to provide a steady supply that the province always needs. Peaking power is only switched on when needed.

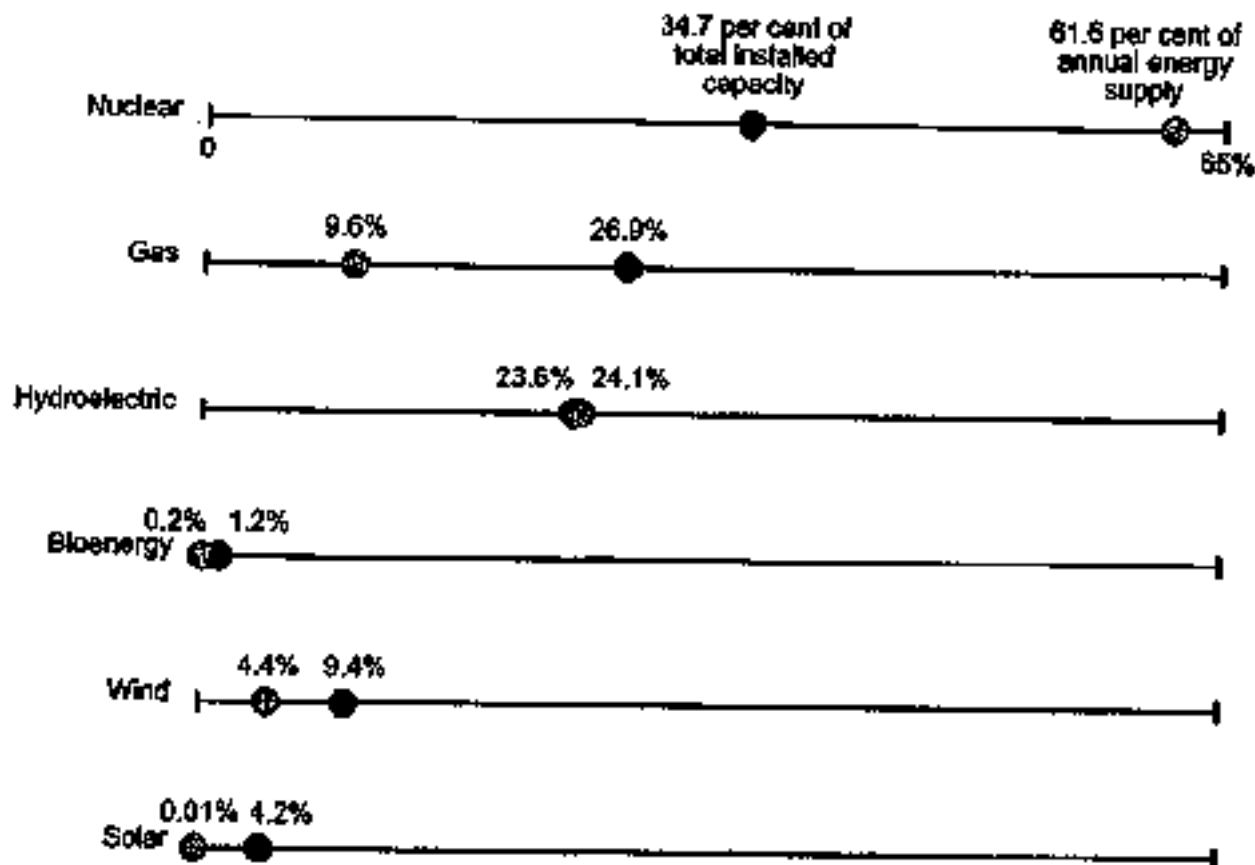
This difference is what accounts for the gap between installed capacity and actual production. For example, nuclear power (which is part of the baseload) accounts for just 36 per cent of the province's installed capacity (i.e., the province's total generating power) but actually produces 60 per cent of the supply. Natural gas, which is mostly used for peaking, accounts for 28 per cent of installed capacity but produces just 10 per cent of the supply.

Ontario's 2014 installed energy capacity vs. actual annual supply, by source

While a third of Ontario's capacity is nuclear, almost 60 per cent of the electricity Ontarians consume comes from nuclear power plants, meaning nuclear plants are running non-stop while some other power sources (particularly gas plants) often go unused.

● Per cent of total installed capacity

⊗ Per cent of total energy supply



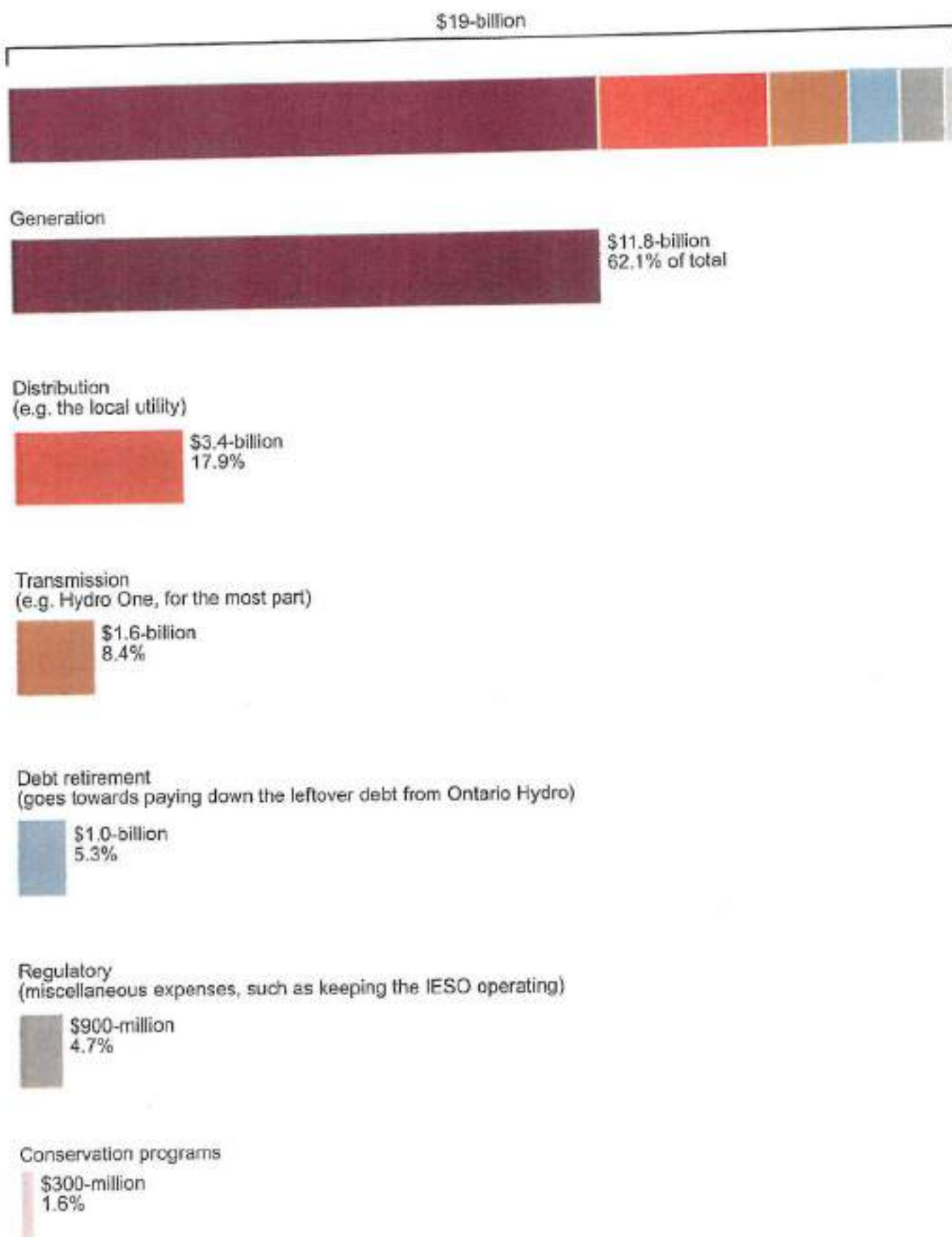
Note: Numbers may not add up to 100% due to rounding.

THE GLOBE AND MAIL, SOURCE: IESO

[\(Return to table of contents\)](#)

HOW IS THE SYSTEM ORGANIZED? WHO SETS THE RATES?

Cost components of Ontario's electricity system, 2014



Ontario's electricity system is a tangle of public, private and semi-private companies. Roughly speaking, you can break it into three major components: generation (producing the power), transmission (getting the power across the province through high-voltage lines) and distribution (piping the power into homes and businesses.)

Generation includes more than 200 power plants ranging from the massive Bruce Nuclear Generating Station – an eight-reactor station that pumps out almost a third of the province's power supply – to tiny solar operations consisting of a few panels. Some generation is handled by government-owned Ontario Power Generation, which runs the Darlington and Pickering nuclear power plants and a slew of hydroelectric facilities. Other generation is done by private companies, including most of the province's gas plants and wind farms. The Bruce plant is also private, run by Bruce Power, a company co-owned by TransCanada Corp., a municipal employees' pension plan and two unions.

Transmission is primarily handled by Hydro One, a government company that is in the process of being privatized. Hydro One's job is to take the power from the various plants and get it to where it's needed. In 2015, Ms. Wynne unveiled a plan to sell 60 per cent of Hydro One in a bid to raise \$4-billion to fund her transit plans and \$5-billion to pay down debt. So far, the government has sold 30 per cent of the company on the stock market.

In some places, Hydro One handles distribution itself. In others, this task is done by a local utility, such as Toronto Hydro, Horizon Utilities or Hydro Ottawa. Utilities are typically owned by municipal governments, but sometimes have private shareholders as well.

The entire system is overseen by the Independent Electricity System Operator, a government agency that roughly acts as the co-ordinating body to make sure enough power is getting produced and shipped around to meet demand.

The Ontario Energy Board sets rates for electricity twice a year, based on submissions from the various companies and agencies.

The province's Ministry of Energy, meanwhile, makes big-picture decisions about the system and sets overall policy.

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WHAT ABOUT ONTARIO HYDRO? ISN'T THAT STILL A THING?

For much of the 20th century, most of the province's electricity generation and transmission were overseen by a single government agency with the snappy name of Hydro-Electric Power Commission of Ontario (better known by its 1970s rebranding as Ontario Hydro). In 1999, the Progressive Conservative government of Mike Harris broke Ontario Hydro into Ontario Power Generation, Hydro One and various other agencies as part of a plan to privatize most of the system. The Tories eventually abandoned their privatization plan, but the new structure remained.

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WHY IS ELECTRICITY SO EXPENSIVE?

Today's high prices are largely the result of provincial policy decisions made during the 2000s.

When the Ontario Liberal Party came to power in 2003, the province's electricity grid was aging and creaky, and Ontario had to import power to meet its needs. The province was also haunted by the memory of Ontario Hydro's disastrously overbudget nuclear construction projects in the 1980s and 90s. What's more, the Liberals had been elected in part on a promise to close down the province's coal-fired power plants.

So the government went on a building spree, upgrading aging infrastructure and commissioning new natural gas, wind and solar plants to replace the coal plants.

But, wary of the previous cost overruns at Ontario Hydro, the government decided to outsource the work of building and running the new power plants to the private sector. The private sector would be responsible for cost overruns and other construction problems in exchange for 20-year contracts from the province. The contracts essentially guaranteed that the companies would receive a certain amount of revenue – no matter how much electricity their plants produced (though they would be paid more if the province used their electricity).

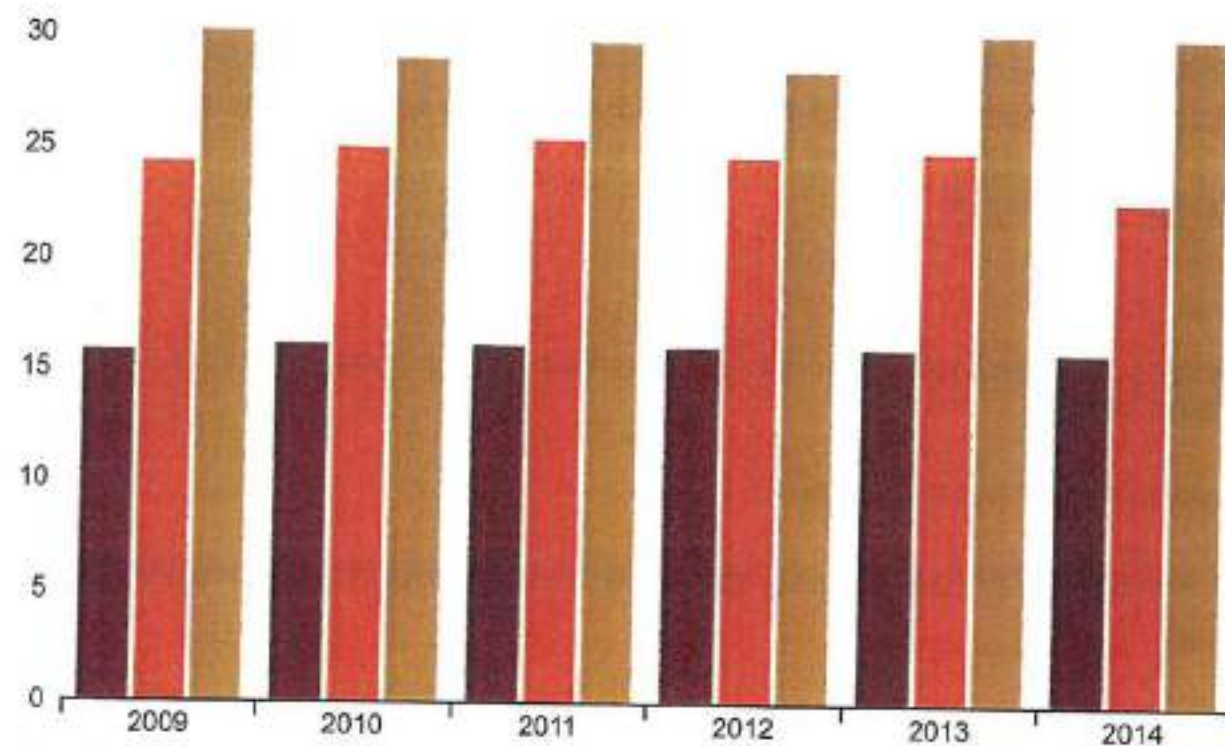
The first major wave of private power plants was fuelled with natural gas. Later plants were tied to the Green Energy Act, which provided lucrative terms for wind and solar plants in a bid to build a renewable-power industry in the province. One of the most famous deals was a sole-source contract with a Samsung-led consortium, which included locating factories building green-energy equipment in the province.

The cost of all this is passed on to ratepayers in the form of higher electricity bills. Auditor-General Bonnie Lysyk estimates that the "global adjustment charge" – the government's term for the costs in the system above the market rate for electricity – accounts for some 70 per cent of the average electricity bill.

Ultimately, the province built more plants than it actually needed. In 2014, according to the Auditor-General, Ontario had the capacity to produce 30,203 megawatts of power – but only needed 15,959 on an average day. (Even on the busiest day of the year, the province only required 22,774 megawatts.)

Ontario's available capacity vs. actual demand

Average demand Peak demand Available resources
35 In gigawatts



THE GLOBE AND MAIL, SOURCE: OFFICE OF THE AUDITOR GENERAL OF ONTARIO

DATA SHARE

At the same time, demand for electricity in the province fell, partly because of the recession and the long-term upheaval in the manufacturing sector and partly because of government efforts to encourage Ontarians to conserve power.

So the province has a massive surplus of generating capacity, but because much of it is tied up in private, 20-year contracts, Ontarians have to pay for all that electricity – whether they need it or not.

In some cases, the province also made the situation worse with political meddling. Ahead of the 2011 election, for instance, then-premier Dalton McGuinty cancelled two unpopular natural-gas plants in Liberal-held ridings in Toronto suburbs and gave the companies new contracts to build plants in other locations – farther from the areas that would need the electricity. As a result, ratepayers ended up on the hook for another \$1.1-billion.

And Ontarians are still paying for the nuclear plants Ontario Hydro built in the eighties and nineties. When Ontario Hydro was broken up, its debt was hived off into an item called the "stranded debt," which is being paid down by electricity users.

In 2015, Ms. Lysyk calculated that Ontarians had paid \$37-billion more than market price for electricity from 2006 to 2014 and would pay another \$133-billion extra by 2032.

Some of this cost was unavoidable: The province has to pay for fixed contracts that guarantee Ontarians have access to a steady supply of power. But there is no doubt, given the vast amount of surplus generating capacity, that the province has overpaid unnecessarily.

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WHAT ABOUT THE PRIVATIZATION OF HYDRO ONE? IS THAT GOING TO MAKE ELECTRICITY MORE EXPENSIVE TOO?

The short answer: Maybe, but it's debatable.

The long answer: Hydro One hasn't been (semi-)privatized long enough to see what the effect on rates will be.

Opponents of privatization argue that it will ultimately drive up prices because a private company, eager to satisfy shareholders, will be more aggressive than a government agency when it comes to pressuring the Ontario Energy Board into granting rate increases. For example, they argue, a privatized Hydro One could be tempted to defer major infrastructure repairs (replacing aging transmission lines, for instance) in a bid to wring more money out of the company for shareholders, then offer to make the repairs in exchange for a rate increase. A government-owned agency would have a much harder time doing this because of the political backlash from angry consumers. Supporters of privatization, meanwhile, contend that private owners will be more motivated to push for efficiencies within the company, which could then be passed on to consumers.

- Either scenario is possible, and it's hard to know which will play out until the company has been privatized for a few years.

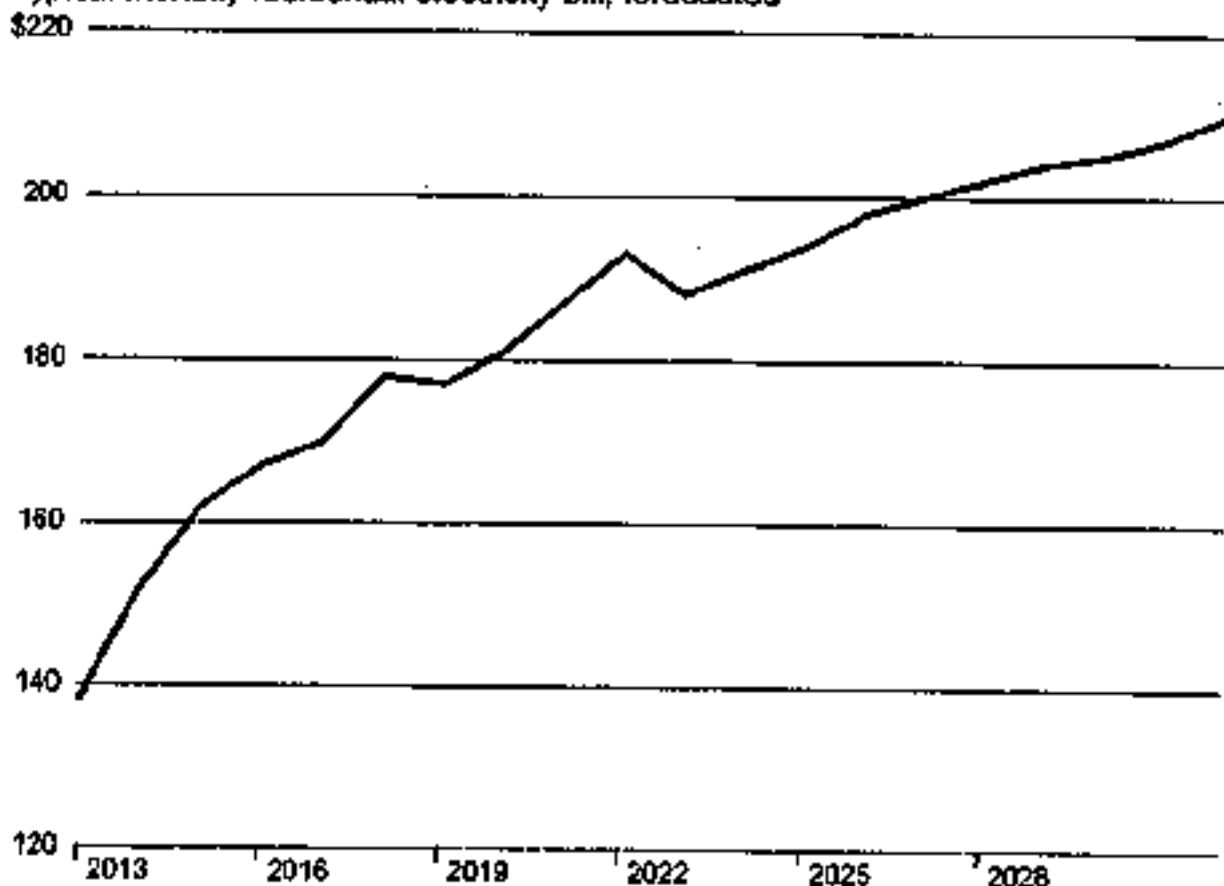
In the short term, however, the privatization has become a political problem for the Liberals. Polls show the vast majority of Ontarians believe Hydro One should remain publicly owned, and Liberal insiders concede their opponents, particularly the NDP and the unions, have done an effective job of blaming the privatization for high hydro prices – even though there is currently no connection.

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WHAT WILL HAPPEN TO PRICES OVER TIME?

Under the government's current projections, electricity prices will keep going up for the foreseeable future. The most recent projection, the 2013 Long-Term Energy Plan, estimated that the average monthly household bill would rise to \$210 in 2032 from \$138 in 2013 – a 52-per-cent increase. The province is in the middle of preparing the next Long-Term Energy Plan, which will contain an updated projection.

Typical monthly residential electricity bill, forecasted

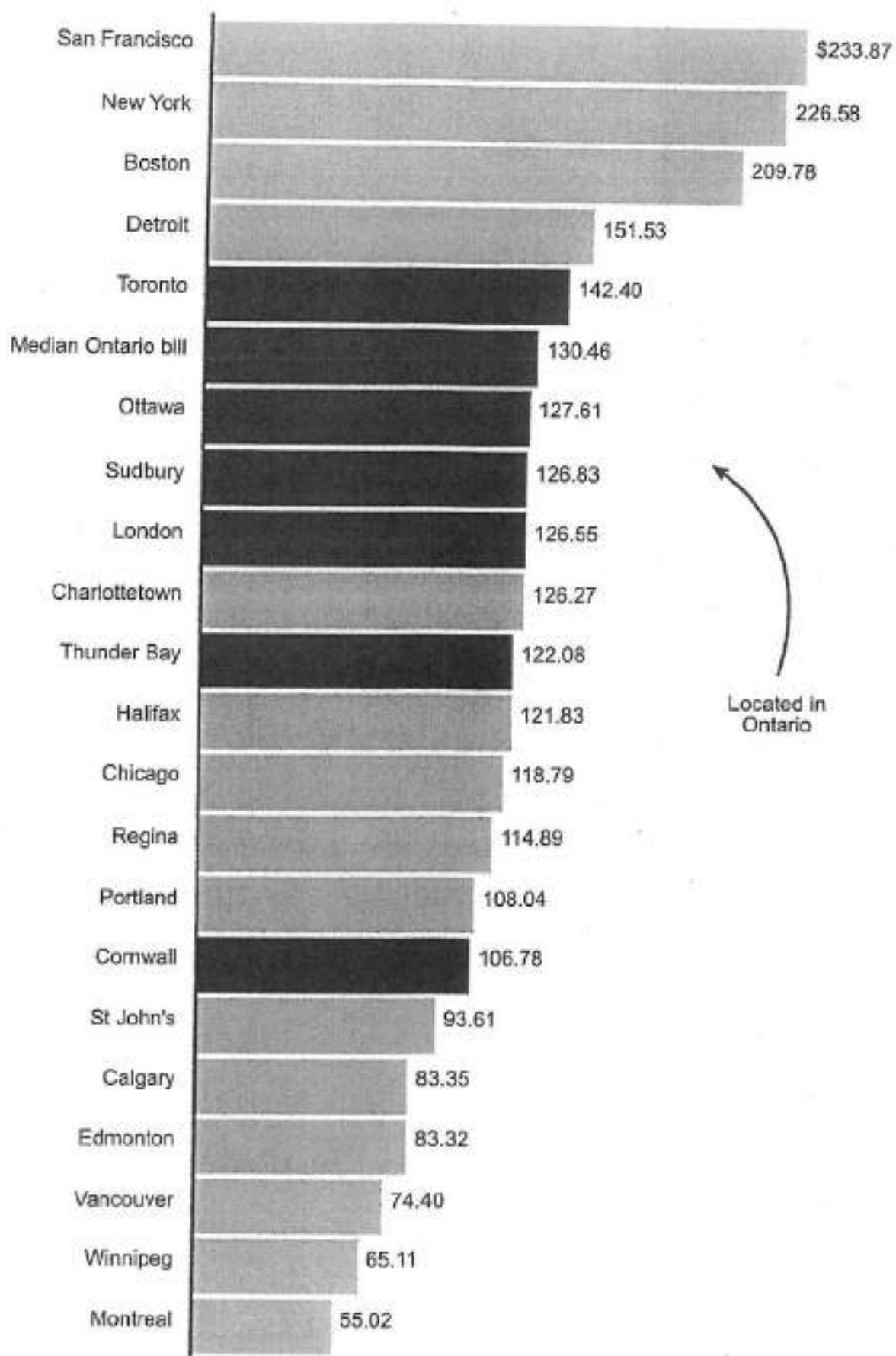


There are a few reasons (besides inflation) electricity prices won't likely be coming down any time soon. For one, there are all those long-term contracts; 20-year deals with private power companies add costs to the system. What's more, the province's nuclear plants are being refurbished over the next 15 years, which will add long-term costs as well.

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HOW DOES ONTARIO COMPARE WITH OTHER JURISDICTIONS?

Estimated monthly residential bill before taxes in 2016



Note: Based on 750 kWh of monthly usage. Excludes any applicable taxes. U.S. dollar conversion uses the exchange rate from April 1, 2016.

By Canadian standards, Ontario's electricity is ridiculously expensive.

By international standards, it's not so bad.

The province's two Canadian neighbours – Quebec and Manitoba – enjoy electricity prices that are about half what Ontario pays. The main reason: geography. Both Quebec and Manitoba have abundant hydroelectric power, which allows them to generate more than 98 per cent of their electricity from water (compared with 24 per cent in Ontario). This has allowed those provinces to (mostly) avoid both the costly and complicated process of building nuclear plants, which Ontario undertook from the 1960s to the 90s, and the phase-out of coal-fired powered plants that dominated the 2000s.

Other provinces also generally have cheaper electricity than Ontario for a variety of reasons. For one, no other province has ever undertaken a nuclear build on the scale Ontario has (New Brunswick is the only other province that uses nuclear power; Quebec once had a single, relatively small nuclear plant, which shut down in 2012). Some other provinces, notably Alberta and Saskatchewan, get most of their electricity from coal-fired power plants (although Alberta is looking to replace coal with natural gas, wind and solar).

Internationally, however, Ontario's price situation looks a lot better. Electricity in New York is more expensive, despite a fairly similar supply mix – the state uses nuclear power, though somewhat less of it; natural gas, though somewhat more of it; and continues to burn coal. In Europe, prices are even higher, with France and Britain both paying more than Ontario; and in the case of Germany, Italy and Denmark, prices are double or more what they are in Ontario.

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WHAT IS THE GOVERNMENT DOING ABOUT IT? WHAT CAN BE DONE?

In the past four years, Ms. Wynne's government has made several changes to the system in a bid to ease price increases.

The most significant was a decision in 2013 to stop building more nuclear reactors. The same year, the province also renegotiated the deal for wind and solar power from the consortium

led by Samsung, which took \$3.7-billion in costs out of the system by scaling back the amount of electricity the consortium would produce.

The government has also taken smaller actions, including buying hydroelectric power from Quebec at a lower price than it would have cost to generate the same power from natural-gas plants, saving about \$70-million over seven years.

Most recently, Ms. Wynne went for the quicker fix of slashing bills by 8 per cent with a taxpayer subsidy. But the subsidy is controversial. For one thing, because taxpayers and ratepayers largely overlap, it effectively asks most Ontarians to subsidize their own power bills – to the tune of about \$1-billion a year; for another, it's regressive, as it disproportionately helps wealthier people with larger homes that use a lot of electricity.

There is relatively little the government can do to lower rates through more lasting, structural means, mostly because the Liberals have tied up so much of the system in 20-year contracts. Progressive Conservative Leader Patrick Brown, however, has promised to take a closer look at the deals to see if any can be renegotiated if and when he becomes premier.

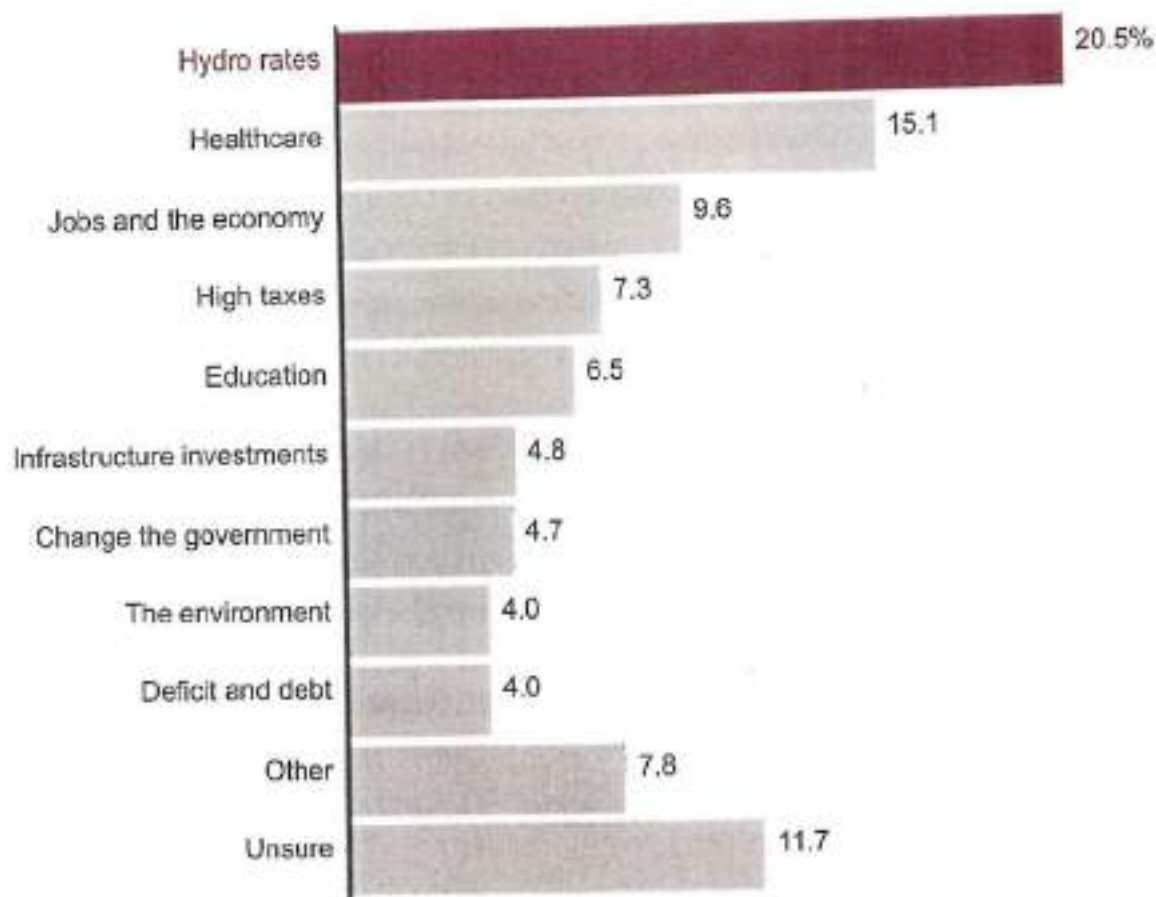
Other possible solutions face problems of their own. While some politicians, particularly in the NDP, advocate buying more hydroelectricity from Quebec instead of refurbishing the province's nuclear plants, doing so would require a lot of money to upgrade the transmission infrastructure.

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WHAT ARE THE POLITICAL RAMIFICATIONS HERE?

Survey question: What is your most important provincial issue of concern?

Random telephone survey of 500 Ontarians, conducted Nov. 15 to Nov. 19, 2016



Accurate to within 4.4 percentage points, 19 times out of 20.

THE GLOBE AND MAIL, SOURCE: NANOS RESEARCH

Electricity prices seem to have reached a tipping point in the public's consciousness over the past couple of years. A poll last month by Nanos Research showed that, astonishingly, more voters named electricity as their top issue, unprompted, than any other public-policy concern – beating out perennial favourites health care, jobs and taxes.

The governing Liberals have trailed the opposition PCs in the polls for two years, and Ms. Wynne's approval rating has sunk to record lows (as far down as 13 per cent, according to one Forum poll). There may be multiple reasons for that – a string of ethics scandals certainly hasn't helped – but the Liberals themselves are convinced that electricity prices are killing them at the polls.

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EB-2014-0255

Report of the OEB

Best Practices regarding Governance of OEB Rate-Regulated Utilities

December 20, 2018

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EXECUTIVE SUMMARY

The Ontario Energy Board (OEB) is introducing new mandatory governance reporting and record keeping requirements for rate-regulated utilities, including natural gas distributors, electricity distributors, electricity transmitters, and Ontario Power Generation (collectively, "utilities"). The OEB is also identifying best practices in utility governance. The OEB's objectives in setting out best practices and introducing new reporting on governance are to build upon the OEB's focus on utility performance and to allow the OEB to obtain insight into the quality and robustness of decision-making of the utility business. The combination of identified best practices and mandatory reporting are expected to support the OEB's ability to rely upon utility governance as an indicator of utility performance.

The best practices and new reporting and record keeping requirements are the culmination of research and consultation by the OEB on the topic of governance over the last two years, including targeted meetings with stakeholders in September 2016 and meetings with utility CEOs in September 2017 and September 2018.

The OEB acknowledges that there is a broad range of literature on governance generally. Following the recommendations in two reports of expert consultants, the OEB has determined to focus its attention on the governance practices of utilities that are of most significance to the OEB: those practices that are most closely aligned with the OEB's statutory mandate and those that support the achievement of regulatory objectives outlined in the Renewed Regulatory Framework (RRF).

In order to help utilities deliver on these objectives, the OEB has identified best practices in the following areas of utility governance:

1. Director Independence
2. Director Skills
3. Board and Committee Structures and Functions
4. Supporting Documentation and Practices

The OEB believes that good governance is a significant contributor to excellence in utility performance and an important indicator of a utility's ability to achieve expected outcomes valued by customers. By identifying best practices and implementing new reporting and record keeping requirements in key areas of utility governance, the OEB expects to encourage more robust practices throughout the sector. This in turn will strengthen management accountability, enhance overall utility performance, and improve outcomes for consumers.

Although new reporting and record keeping related to utility governance will be mandatory for utilities, it will remain the choice of each utility to determine how best to structure its own internal governance. The OEB will amend its existing annual Reporting and Record Keeping Requirements (RRR) to include these new utility governance reporting and record keeping requirements. To that end, the OEB will issue proposed amendments to the RRR in due course.

Information gained through the RRR filings will give the OEB insight into the robustness of a utility's internal controls and decision-making processes on matters of most relevance to the OEB. This will support the OEB's ability to make an informed assessment of the depth of review that the OEB may be required to undertake when assessing utility plans and proposals.

As the OEB gains insight and experience with the new reporting and record keeping related to utility governance, additional tools for measuring governance or more explicit guidance may follow.

1. DEVELOPMENT OF BEST PRACTICES: EXPERT ADVICE

In 2014, the OEB initiated a process to better understand the relationship between corporate governance practices and utility performance, and to consider options for the OEB to reflect the importance of corporate governance in its oversight of utilities. In the course of this project, the OEB commissioned two reports from organizations with expertise in corporate governance practices. These reports provide the foundation for the OEB's identification of best practices.

1.1 KPMG Report

The OEB first retained KPMG LLP (KPMG) to conduct research on the state of corporate governance practices among Ontario's licensed electricity distributors¹. KPMG was also asked to look at regulatory best practices with respect to governance in other jurisdictions, and other business sectors (financial services and security regulators).

KPMG found that governance practices vary considerably across electricity distributors in the province, ranging from highly independent utility boards supported by diverse professional skill sets to small boards whose members are primarily representatives of the municipal shareholder.

KPMG also found that "for energy regulators, in general, corporate governance guidance and requirements and methods to demonstrate effectiveness lag the financial and securities industry."² KPMG indicated that "Lessons from the financial sector... encourage a more proactive and targeted examination of regulated entities."³

KPMG recommended that the OEB establish guidelines for effective corporate governance for regulated utilities, and noted that in doing so the OEB would be a leader among energy regulators. KPMG recommended that OEB guidelines should address:

- The role of the board of directors, including oversight and stewardship of strategic direction;
- The composition of the board, including the qualifications, skills and experience of directors to support the strategic, operational, financial, legal, regulatory, human resources, information technology, customer service and other oversight responsibilities of the board;

¹ The KPMG Report is available on the OEB's website at https://www.oeb.ca/oeb/Documents/EB-2014-0255/KPMG_Report_Corporate_Governance_20150429.pdf

² KPMG Report, page 4

³ Ibid, page 5

- The unique challenges of corporate governance in a municipal shareholder environment, including conflicts of interest and the skills and professional experience of board members to oversee and govern a utility;
- Utility board committee structure and roles and responsibilities;
- Strategic planning requirements, including requirements for utility board engagement; and
- Risk governance and enterprise risk.

For board members who are municipal councilors or administrators, KPMG recommended that the OEB restrict municipal representation to the holding company level or provide alternative forums for municipal councils to discuss and question the board and management team of the utility. KPMG also suggested periodic assessment or accreditation of the utilities' corporate governance practices to ensure that they are maturing in lockstep with leading practices.

1.2 Elenchus Report

In 2016, the OEB retained Elenchus to build on the work carried out by KPMG and to provide expert assistance in developing the OEB's approach to utility governance.

As part of its work on identifying best practices, the OEB required Elenchus to consult with stakeholders, including utility CEOs and board Chairs. This consultation was undertaken through stakeholder meetings, facilitated through the use of a framework, which included preliminary draft guidance on corporate governance prepared by Elenchus. In total over thirty CEOs, Chairs and other executives from gas and electricity utilities across the province participated.

Elenchus provided its final report to the OEB, incorporating feedback from the consultations as it considered appropriate. In its report, Elenchus recommended that the OEB's governance guidance give due accord to the significance of the independence, skills and experience of directors on utility boards as a means of ensuring appropriate decision-making that is in the best interest of the utility and its customers. This final report was published in early 2017.

Like KPMG, Elenchus recommended that the OEB should focus its attention on areas of greatest significance to the OEB. Elenchus stated that by implementing corporate governance guidance, the OEB would be proactively protecting the interests of consumers, promoting efficiency and effectiveness, and facilitating a financially viable sector.

2 BEST PRACTICES IN UTILITY GOVERNANCE

KPMG and Elenchus observed that it is appropriate for the OEB to consider and guide utility governance practices as a means of effectively discharging its mandate. The OEB agrees with the observations made by KPMG and Elenchus. In the OEB's view, the identification of best practice from the energy regulator presents a significant opportunity to promote better, more formalized governance practices in the energy sector.

2.1 Alignment with Renewed Regulatory Framework

The Renewed Regulatory Framework has already helped to modernize Ontario's natural gas and electricity sectors by:

- allowing utilities and the OEB to focus on outcomes valued by customers rather than inputs;
- providing more flexible options for rate setting to better align with business drivers;
- improving utility planning to better optimize infrastructure investments;
- giving consumers a meaningful voice in the development and review of utility applications; and
- making utility performance more transparent for ratepayers.

As another element of its performance-based approach to regulation, the OEB is also in the process of developing more extensive benchmarking as a means of enhancing the assurance that utilities are providing value for money. This initiative is expected to enhance utility performance and increase the effectiveness and efficiency of regulation. In a similar vein, the OEB expects that monitoring governance practices across the utility sector will provide the OEB with further insight into the linkages between internal processes and results for customers.

Following the recommendations of KPMG and Elenchus, the OEB has identified areas of utility governance practices that contribute most directly to achieving the regulatory objectives inherent in the Renewed Regulatory Framework:

- Alignment of shareholder and customer interests;
- Prudent decision-making, with due consideration of customer interests;
- Spending and investment discipline (capital spend, O&M, major transactions);
- Sustainable financing; and
- Excellence and continuous improvement in utility performance.

The best practices highlighted by the OEB in this report draw attention to areas of specific importance that result from the unique nature and circumstances of utilities, their ownership structures, and the risks assumed relative to other corporations. The OEB has identified four areas of governance that are particularly relevant to enhanced utility performance:

1. Director Independence
2. Director Skills
3. Board and Committee Structures and Functions
4. Supporting Documentation and Practices

Best practices in these four areas are outlined below. The OEB recognizes that corporate governance more broadly is not reducible to these four indicators. However, these indicators will provide the OEB with insight into the robustness of utility internal controls and decision-making processes, which, in combination with other tools and assessments, are expected to support the OEB's ability to make an informed assessment of the depth of review that the OEB may be required to undertake when assessing utility plans and proposals. With greater knowledge of the processes, accountabilities, skills and directness of oversight over utility operation, the OEB can be better informed as to the scrutiny that may be required to ensure that a utility's planning, spending and forecasts are appropriate.

2.2 Director Independence

Best Practices

- A. **Independence:** Utilities have a board of directors at the utility level and a majority of those directors are independent of the shareholder and any affiliate
- B. **Board Size:** The board comprises no less than five directors
- C. **Scope of Oversight:** Shareholder agreements or directions do not limit the board of directors from exercising its independent judgment

Discussion

A. Majority Independence

Best practice is for utilities to have a board of directors that has oversight of all utility functions and that is separate from the parent company. Best practice also suggests that utility boards should comprise a majority of independent directors.

The general and pervasive preference for independent directors to constitute a majority on the board is grounded in the view that this arrangement best enables the board of directors to act

in the best interests of the company without undue influence. Elenchus concluded that this best practice also applies to the regulatory domain.

Best practices related to independence are based on recommendations made by KPMG and Elenchus. Both KPMG and Elenchus highlighted the importance of director independence as a principle that is foundational to effective corporate governance. Elenchus expresses support for governance at the utility level since this approach ensures a more dedicated focus on the regulated business rather than all the activities of a corporation.⁴

The OEB has already imposed requirements on utility boards related to independence through the Affiliate Relationships Code (ARC) for Electricity Transmitters and Distributors⁵ and for Gas Utilities⁶. Taken as a whole, the ARC's requirements for independence, separation from other affiliates and conditions on sharing of resources, services or the provision of financial support among related entities suggest that it is best for utilities to have a separate board of directors that has direct oversight of the utility's operations.

Under the current ARC, a minimum of one-third of the utility's board of directors must be independent of any affiliate. Further support for independence at levels beyond this minimum is also found in the Distribution Sector Review Panel's recommendation that at least two-thirds of the board of directors of distributors should be composed of independent directors, and preferably 100% independent.⁷

While one-third independence is the requirement entrenched in the ARC, the OEB is of the view that the quality of governance is likely improved if a majority of directors are independent, as reflected in the work of KPMG and Elenchus. The OEB will therefore consider amending the ARC in due course to reflect governance best practice in this regard.

While director independence is generally defined as independence from the company, shareholder and any affiliate, the OEB considers that independent directors of the holding company board appointed to the utility board may also be considered independent on the utility board. In the OEB's view, this is a practical approach that provides a means for making use of expertise at the utility's disposal without sacrificing the objective of ensuring that utility decision-making is in the best interest of the utility, with due regard for the interests of customers.

⁴ Elenchus Report, page 43

⁵ https://www.oeb.ca/oeb/Documents/Regulatory/Affiliate_Relationships_Code_ARC_Electricity.pdf

⁶ <https://www.oeb.ca/oeb/Documents/Regulatory/Affiliate%20Relationships%20Code%20for%20Gas%20Utilities%20ARC.pdf>

⁷ Elenchus report, p. 5

B. Board Size

The proportion of independent directors on a board also raises the question of how large a board should be in order to be effective and provide high-quality oversight. A board that is too small may not be effective to handle its workload; one that is too large may be challenged to find consensus. The size of the board may also help to support a culture of independent-mindedness on a board overall.

As summarized by Elenchus, the Distribution Sector Review Panel recommended that boards should be adequately sized to have directors with an appropriate range of experience and skills⁸. The Organization for Economic Co-operation and Development (OECD) indicates that the ideal number of board members is between 5 and 10⁹. In the OEB's view, best practice would suggest that a minimum of 5 directors is required to provide a meaningful number of independent directors, to bear the prospect of including the requisite expertise, and to populate any committees of the board among directors. Relative to smaller boards, such a size may also better accommodate non-independent directorships while maintaining majority independence.

C. Scope of Oversight

Another aspect of independent governance that is key to delivering outcomes of value to customers pertains to the scope of responsibilities charged to the board of directors.

The OEB recognizes that shareholders have the ability to enter into shareholder agreements and to issue declarations that reserve certain decisions for themselves rather than having them reside with a board of directors. Elenchus states that while shareholder agreements "provide clarity and certainty as to the roles and responsibilities of the board of directors, if they transfer significant decision-making authority there is less scope for the board of directors of the regulated utility to exercise independent judgment within the framework of good corporate governance."¹⁰ The OEB agrees with this concern, particularly where restrictions affect the ability of directors to act in the best interests of the utility and its customers. The quality of governance may be reduced as a result. Best practice suggests that such restrictions in shareholder declarations or similar instruments should be avoided.

⁸ Elenchus, page 7. Citing "Renewing Ontario's Electricity Distribution Sector: Putting the Consumer First, Report of the Ontario Distribution Sector Review Panel", December 2012, p. 37.

⁹ OECD "Practical Guide to Corporate Governance, Chapter 4 What To Do: Key Good Governance Practices," <https://www.oecd.org/daf/ca/corporategovernanceprinciples/42654277.pdf>

¹⁰ Elenchus report, page 44

2.3 Director Skills

Best Practices

- The board as a whole possesses the complete range of skills necessary to execute its governance function and discharge its responsibilities effectively
- A matrix approach is used to compile an inventory of director skills

Discussion

Both KPMG and Elenchus commented on the importance of director skills and suggested best practices to ensure that directors possess skills appropriate to their roles. KPMG recommended that the OEB establish guidelines and reporting requirements addressing the qualifications, skills and experience of utility board members to support the strategic, operational, financial, legal, regulatory, human resources, information technology, customer service or other oversight responsibilities of the utility board.

Similarly, Elenchus stated that directors must be skilled in a variety of areas (including technical skills such as legal, engineering, accounting, and regulatory, and governance skills such as integrity, collegiality, and strategic thinking) and must be committed to the long-term best interests of the utility, including balancing the interests of customers and shareholders. Elenchus also suggested that best practices dictate that boards should develop a skills matrix for directors.

The OEB agrees with the views of KPMG and Elenchus regarding the importance of director skills and the types of skill sets required for effective utility governance. It also sees value in the use of a skills matrix as a tool to be used by utility boards. Directors with appropriate skills and experience provide greater confidence in the board's oversight of a utility's financial viability, quality, effectiveness, reliability and safety, as well as in its ability to deliver desired outcomes.

2.4 Board and Committee Structures and Functions

Best Practices

- Boards are structured to provide oversight of key functions of the utility business
- Committees of the board are used as a means to achieve appropriate oversight of key functions
- Committee members possess the requisite skills to effectively discharge their responsibilities

Discussion

In order to perform effectively, best practice dictates that the board of directors must be able to exercise effective governance over a number of key functions of the utility business. Areas identified by KPMG and Elenchus include:

- ♦ Strategic planning
- ♦ Asset planning
- ♦ Audit
- ♦ Health and safety functions
- ♦ Executive compensation
- ♦ Risk assessment
- ♦ Regulatory and public policy activities
- ♦ Customer relations and human resources
- ♦ Succession planning

In addition to key utility functions, KPMG recommended that the OEB address the role and structures of committees. KPMG provided guidance on the functions of specific committees, including best practices for audit and finance committees, governance and risk committees, and human resources committees.¹¹

Elenchus agreed with KPMG on the importance of considering committee structures, and noted that core responsibilities of board stewardship concern strategy, risk, financial and operational performance and succession. Elenchus recognized that utility boards have a broad range of responsibilities, and acknowledged that the use of committees can be an effective and efficient way for boards to carry out their responsibilities. It concluded that the structure of the utility board, including any committees, should support the effective and efficient operation of the board, particularly the exercise of independent judgment in the best interests of the utility.

Based on best practice considerations highlighted by KPMG and Elenchus, the OEB agrees that committees can provide organizational structure while allowing for flexibility to adapt to changing demands. Committees may also be an efficient means of allocating time to specific functions, and to make use of specialized skills of members to perform key functions. One committee that may stand to provide the greatest value to a utility board is an audit and finance committee, given, as Elenchus notes, the importance of financial performance to the

¹¹ For KPMG's specific recommendations related to these committees, see p. 8-9 of the KPMG Report

provision of energy services and the need to consider detailed financial issues with the benefit of suitable expertise.

The OEB recognizes, however, that there is no particular committee structure for utility boards that is optimal across the sector, in part because an efficient arrangement for one utility may not be optimal for another utility with a different distribution of skills across its director membership. Rather, what is more fundamental as a best practice is for the board of directors, individually and collectively, to possess the range of skills and expertise appropriate to effectively discharge their duties and to ensure the proper allocation of those skills to board tasks.

Director skills should inform committee membership selection, and the match between the skills present on a committee and the areas of the business it oversees should be tangible and documented rather than tacit. In other words, a board should be able to describe or demonstrate how it exercises oversight of each of its key functions by reference to the complement of skills present on each committee. For example, members of an audit committee would generally be expected to have high levels of specific financial experience and formal qualifications. Similarly, human resources matters would be expected to be delegated to directors with appropriate experience on succession planning, executive recruitment and compensation, collective bargaining and other related domains.

2.5 Supporting Documentation and Practices

Best Practices

- Utility boards have a written mandate and any committees of the board have a written charter
- Boards have a written code of conduct
- Boards provide orientation for new appointees and continuing education and/or other methods of broadening the skills of all directors

Discussion

A final aspect of utility governance has to do with the tools and processes that boards put in place to help to assure high-functioning, effective governance. Such tools can enable the board's conduct to meet the highest standards of skill, integrity and diligence and to ensure that directors continue to maintain the skill and knowledge needed to meet their obligations in an evolving sector.

The OEB agrees with the best practices identified in the Elenchus report:

- The board should have a written mandate so that the responsibilities of the board and directors are transparent and well-defined¹²
- Any committee likewise should have a written charter to establish its purpose and responsibilities
- A board should have a written code of business conduct that is applicable to directors, officers and employees
- The board provides continuing education opportunities for all directors, to enhance their skills as directors and to ensure their understanding of the utility's business remains current¹³

Written definitions and expectations ensure clarity and shared understanding of the roles and responsibilities of the board and directors, demonstrate commitment to the mandate, and bring transparency to the utility's corporate governance. Written codes also promote integrity, deter wrongdoing and address issues regarding conflicts of interest, proper use of corporate assets, confidentiality, fair dealing with utility stakeholders, legal compliance and reporting of any illegal or unethical behaviour¹⁴. The provision of continuous education helps to promote continued fitness of directors for the responsibilities they bear.

¹² Elenchus report, page 62

¹³ Ibid, page 68

¹⁴ Ibid, page 72

3 IMPLEMENTATION

This report identifies areas of governance that are of interest to the OEB as well as best practices in each of these areas. The OEB is not mandating adoption of any minimum governance standards. Rather, best practices are provided to assist utilities in assessing their own governance practices against broad standards of excellence that are considered to be best practice.

The OEB is committed to ensuring that rate regulated utilities are delivering the best value to their customers. The OEB is also committed to adopting more proportionate processes to monitor and assess utility performance. Having a better understanding of utility governance structures and practices that support utility decision-making will facilitate the OEB's achievement of both of these objectives. To that end, the OEB is implementing mandatory reporting requirements with respect to the four areas of interest laid out in this Report. Such measures will help to provide indication of a board's effectiveness at governing the utility it oversees – addressing a key deficiency identified by KPMG in its work for the OEB.

These requirements are designed to obtain information about utility governance that can be considered, as needed, in the context of regulatory reviews, including rate applications, compliance and performance audits, etc. The OEB intends to provide a structured template for recording such information in order to standardize the form of utility submissions, ensure completeness, and streamline review. The format of the reporting template will be subject to consultation.

The OEB will also provide in the expanded RRR the opportunity for utilities to explain their governance practices and supplement the information filed with additional discussion. This provision is expected to enable a utility to explain how its approach to governance, if it does not appear to represent best practice, nevertheless assures appropriate control and decision-making with due consideration for customers' interests.

The OEB will issue proposed amendments to the RRR to reflect these new reporting and record keeping requirements in due course.

The OEB recognizes that these reporting and record keeping requirements are based on a utility structure that is a corporate body. The OEB will determine whether and how to modify actual reporting requirements to adapt them for utilities that are structured as a limited partnership rather than a corporation.

3.1 Director Independence

In order to assess the level of independence of its board, utilities will be required to report the following:

- The number of directors on the board of the utility
- The number of directors of the utility that are independent
- Whether a utility director is a member of any other board and whether there are any board interlocks (i.e. where executive or director of one board is also a director of another board)
- Which of the directors is an employee or representative of a shareholder
- A brief description of any shareholder agreement or direction and the aspect of the utility business to which it pertains

In order that they may be produced if requested, utilities will also have to maintain records of any shareholder agreement or direction in place that may restrict the utility board's decision-making.

Direction regarding the length of document retention will be provided as a next step in the consultation regarding amendments to the RRR that will follow.

3.2 Director Skills

Utilities will be required to report information that demonstrates how their utility board directors possess the skills expected of directors. The information to be collected highlights skills and experience that are relevant to the utility business. This includes:

- Previous positions held by each director that demonstrate a director has specific skills or expertise.
- An explanation of what expertise and experience the director gained in each previous position, as well as details regarding the term/duration of the previous position.

3.3 Board and Committee Structures and Functions

Utilities will be required to report on any utility board-level committee structures, including committee names, the function of each committee, director membership on the committees, and in such a manner that allows any overlapping or inter-locking committee membership, particularly between the utility and affiliated boards, to be identified. The provision of such information will allow the OEB to assess concordance between tasks assigned to a committee

and the skills and independence of that committee's membership, as an indication of the governance capacity and experience being deployed on a given business domain.

The following information about a utility board's committees and functions is required:

- Names, descriptions and functions of each utility-level board committee (e.g. Audit, Risk Management, Compensation, etc.)
- Committee membership
- A mapping of each key board function to committee mandates
- Indication of functions that are undertaken by each committee or board at the utility board as a whole

3.4 Supporting Documentation and Practices

Best practice indicates that utilities should have certain documentation in place relating to a code of conduct, mandates, and training. In order that they may be produced if requested, utilities should maintain records of the following:

- A copy of any utility board code of conduct
- A copy of any written mandate for the board and written charter for each committee
- A description of orientation, training or other methods used to broaden and deepen the skills of existing and new directors

3.5 Structure and Form of the Reporting Requirements

The OEB intends to incorporate the governance reporting and record keeping requirements into the *Electricity Reporting and Record Keeping Requirements* and the *Natural Gas Reporting & Record Keeping Requirements: Rule for Natural Gas Utilities*. Following publication of this Report of the OEB, the OEB will hold a consultation on its proposed amendments to the RRR for gas and electricity. Input on the structure and form of the RRR will be solicited from all interested parties, and the OEB will then publish the final amendments to the electricity and natural gas RRR to reflect new reporting and record keeping requirements related to utility governance.

Initial baseline reporting will be required from all utilities. Following the consultation on RRR amendments, the OEB will consider what deadline to establish for this activity. Following initial baseline reporting, the OEB expects that utilities will file and/or maintain relevant data in accordance with the amended RRR.

Following the implementation of the new RRR requirements, the OEB will consider utilities' governance practices in the context of its ongoing evaluation and monitoring of utility performance and rate setting. As the OEB gains insight and experience with the new reporting and record keeping related to utility governance, additional tools for measuring governance or more explicit guidance may follow.