

# HOLDCO PRESENTATION



## TOWN OF COBOURG HOLDINGS INC. INFORMATION SESSION WITH COUNCIL

**June 13th, 2024 - 2:00 pm**

1

**Introduction by Holdco Chair, David Tsubouchi**



**Lakefront  
Utilities  
Inc.**



**Lakefront  
Utility  
Services  
Inc.**

# AGENDA



- Introductions
- Holdco's Structure
- The Company's Primary Objectives & Core Responsibilities
- Vision, Mission & Values and Specific Initiatives
- Preparing for the Future
- Lakefront Utility Services Inc. (LUSI) Structure
- Waterworks Initiatives
- 2024 Cobourg Water Rates Comparison
- Ministry of Environment, Conservation & Parks Compliance Certification
- Lakefront Utilities Inc. (LUI) Statistics including Reliability
- LUI's Future Initiatives and Challenges
- Ontario Evolving Electricity Sector & Energy Transition
- Industry Changes and Expectation on Local Distribution Companies
- Financials Review
- Holdco Benefits to Town of Cobourg

# Invited Attendees



## **Town of Cobourg Council members:**

Mayor Lucas Cleveland, Deputy Mayor Nicole Beatty, Councillors: Adam Bureau, Brian Darling, Aaron Burchat, Miriam Mutton, Randy Barber.

## **Holdco Board of Directors:**

Chair David Tsubouchi, Vice-Chair Robert Bell, Directors: Lucas Cleveland, Fred Clifford, Mandy Martin, Lisa McBride.

## **Lakefront Utilities Inc. (LUI) Board of Directors:**

Chair Gil Brocanier, Directors: Manuela Ris-Schofield, Neil Freeman, Fred Clifford

## **Lakefront Utility Services Inc. (LUSI) Board of Directors:**

Chair Robert Bell, Directors: Graham Fisher, Kelley Irwin, Guru Kalyanraman, Karen Webb

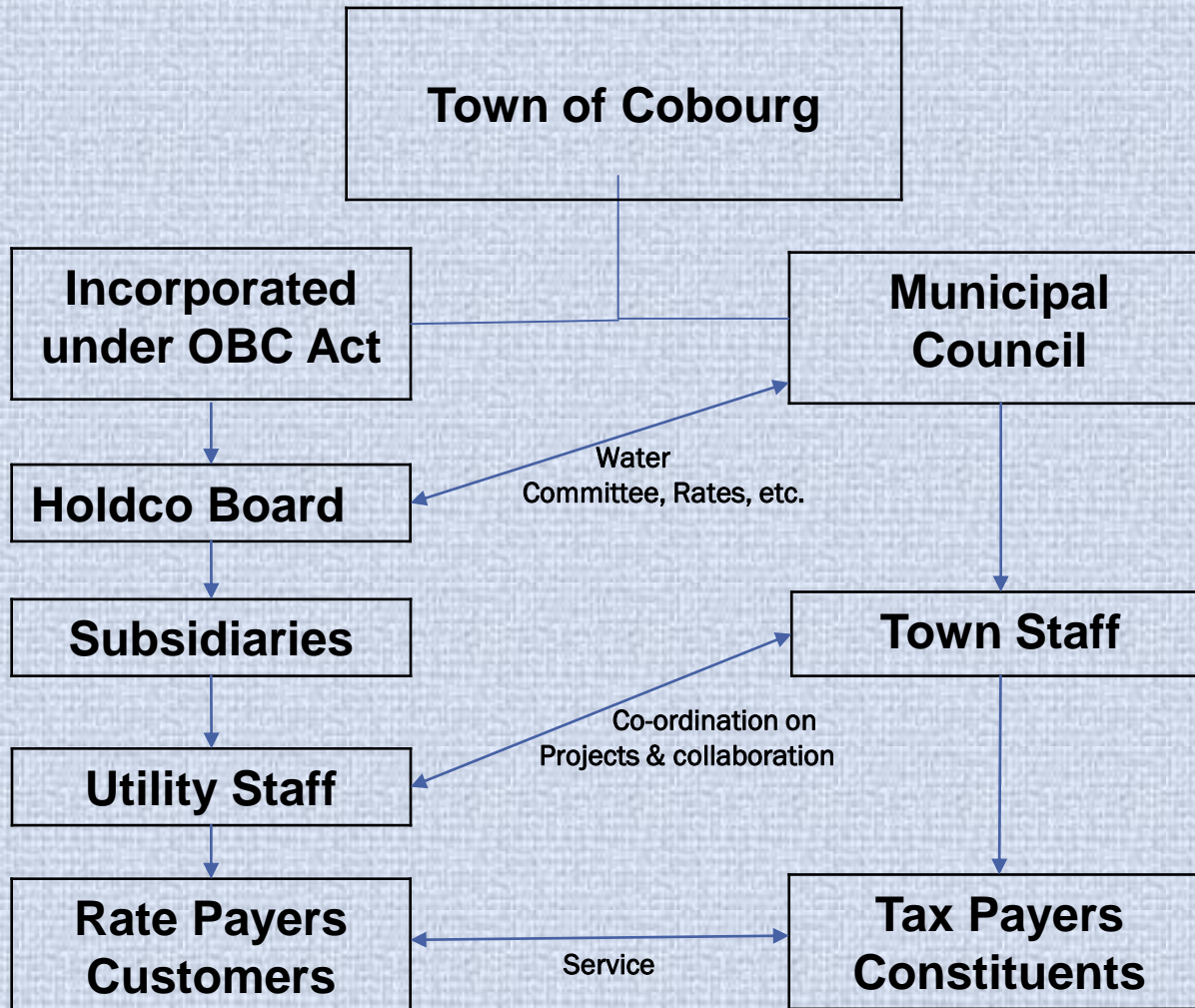
## **Lakefront Staff:**

President & CEO Dereck Paul, Acting CFO Laurie-Ann Cooledge, Corporate Secretary Susan Spicer.

## **Town of Cobourg Staff:**

CAO Tracey Vaughan, Treasurer & Director Corporate Services Adam Giddings, Director Legislative Services & Municipal Clerk Brent Larmer, Director Public Works Laurie Wills, Director Community Services Brian Geerts

# Holdco's Structure



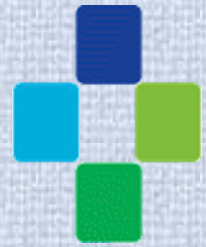
# What we do – Primary & Core Objectives



5

- Ensure full compliance with all related Acts, Regulations, Standards and Directives
- Improve asset value while achieving appropriate annual rates of return.
- Operate in accordance with the Shareholders Agreement ensuring the independence of the Board with transparency, accountability, integrity and high ethical standards
- Ensure financial control, risk management, quality assurance and monitoring tools are in place for system reliability, health and safety.
- Monitor all systems for regulatory compliance and for effective performance by tracking KPI's
- Develop timely and detailed long-term financial forecasts, 5-year budgets and business plans
- Strive to keep customer charges moderate while balancing operational needs.
- Sustain utilities infrastructure through its prudent ongoing maintenance, replacement, upgrading and expansion.
- Support the Town's initiatives related to Lakefront through effective coordination with Town staff, especially on capital projects.
- Recruit, evaluate and retain Directors and employees, ensuring that their qualifications, experience and perspective collectively add value to the corp.
- Communicate frequently and effectively with all stakeholders.
- Seek opportunities to collaborate with strategic business partners to grow.

# Vision, Mission & Values



6

## Vision

- ▶ We are recognized as a high-performance local ownership organization, providing exceptional value to our customers and communities through dependable, responsive and innovative services.

## Mission

- ▶ We are committed to responsibly delivering fair-cost, reliable, safe, energy and water solutions for the benefit of our customers through the uniqueness of our integrated utility operations.

## Values

- ▶ Our values serve as the organization foundation that guides our decisions and directions. Our commitment to our employees, customers and stakeholders are **Integrity, Safety, Reliability, Accountability, Service, Collaboration, Respect, Engagement and Innovation.**

# 7 Specific Initiatives |



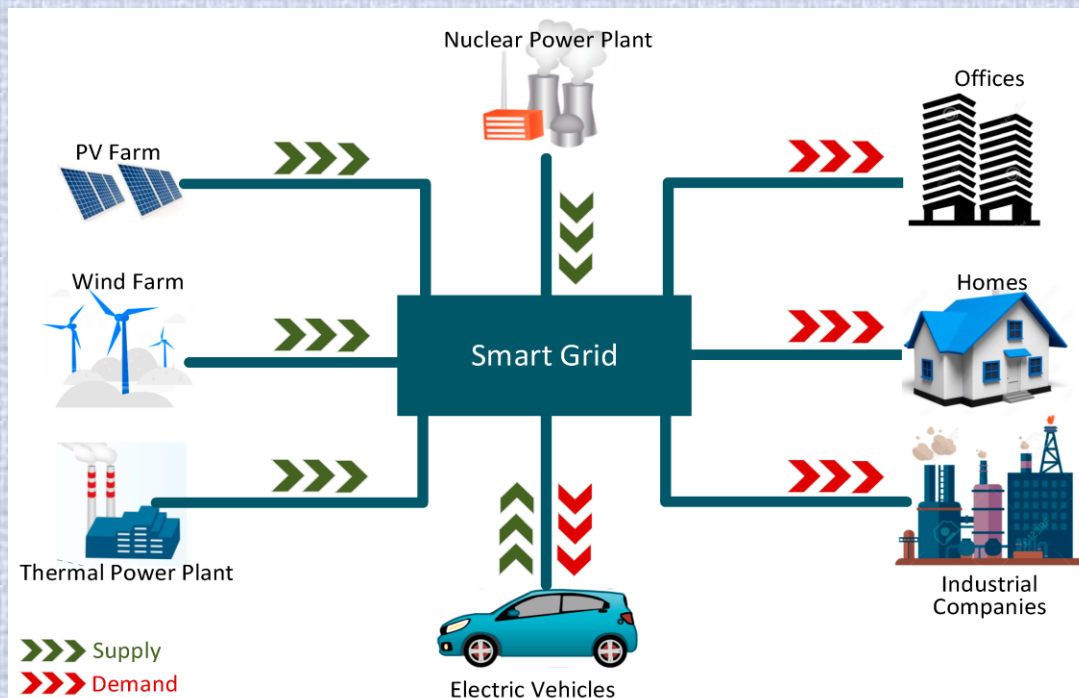
- Enhanced Reliability and Capacity for Growth
- Voltage conversion completion for Resiliency and line loss reduction
- Water leak detection and loss reduction
- Cyber Security effectiveness
- Innovate through New Technologies
- Improve Operational Planning
- Identify and Manage Organization Financial Vulnerabilities
- Monitor all aspects of our Environmental Performance;
  - Offering online billing to reduce paper consumption
  - Systemic and responsible Fleet Electrification
  - Connecting Renewable Power to the Grid
  - Encouraging Electrified Transportation by offering on-bill financing of EV Chargers

# Preparing for the Future

8



- **Growth in Cobourg** – approx. 39,000 residents by 2040
- **Transportation Electrification** = sustainable capital build and capacity
- **Infrastructure Resiliency** – severe weather resistant = climate action plan
- **DER – Distributed Energy Resource** - connection & integration into distribution system
- **DSO – Distribution System Operator** – emerging new model - responsible for managing local grid conditions while enabling complex interactions to occur among grid-connected energy resources. These include interactions between distribution-connected devices and the bulk (transmission-level) power system
- **Costs** – significant water & electricity capital investments + managing debt





# Holdco's Multi-Utility Vision

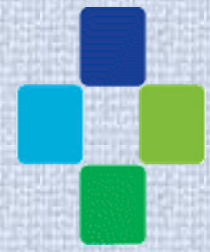


9

The vision of our multi-utility organization is to revolutionize the way essential services are delivered to the communities we serve, prioritizing sustainability, innovation, and customer satisfaction. At its core, the company aims to provide a comprehensive suite of utilities including electricity distribution, water treatment and distribution, fiber optic broadband services, power generation, EV charging station rentals and other renewable energy services.

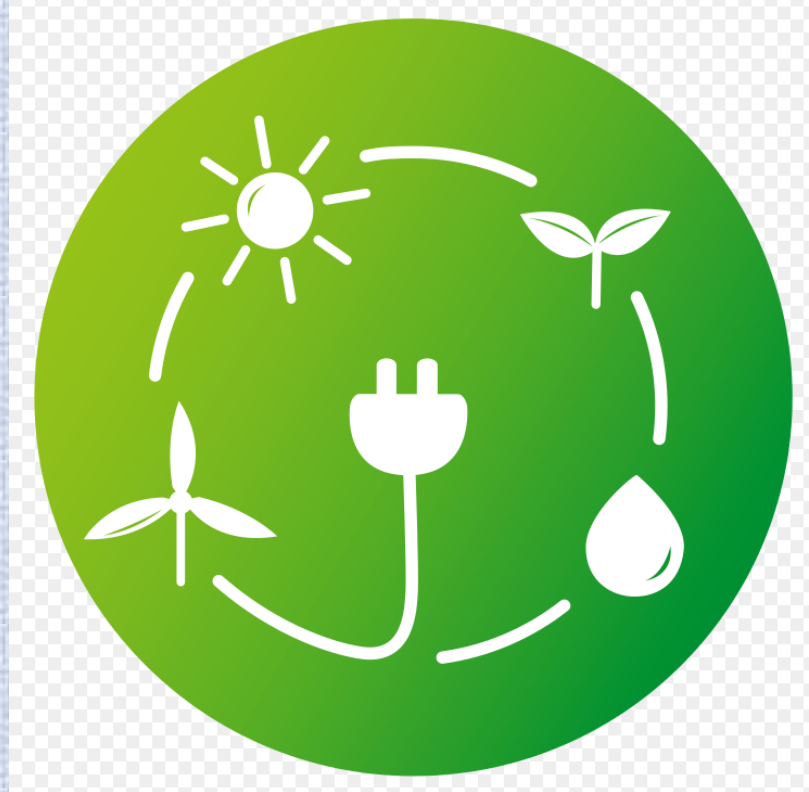
Key pillars of this vision include:

- 1. Renewable Energy Leadership:** The company is committed to leading the transition to renewable energy sources, minimizing reliance on fossil fuels, and reducing greenhouse gas emissions. Through investments in solar and other sustainable energy resources, the company seeks to promote environmental stewardship and combat climate change.
- 2. Superior Customer Service:** Providing exceptional customer service is paramount. The company strives to anticipate and exceed customer expectations by offering seamless interactions, timely response to inquiries, and personalized solutions. Accessibility and transparency are fundamental, with customers having access to their utility usage data, billing information, and support services at their fingertips through user-friendly digital platforms.



# Thank You

10



## Questions?



**Lakefront  
Utility  
Services  
Inc.**

**Chair, Robert Bell**

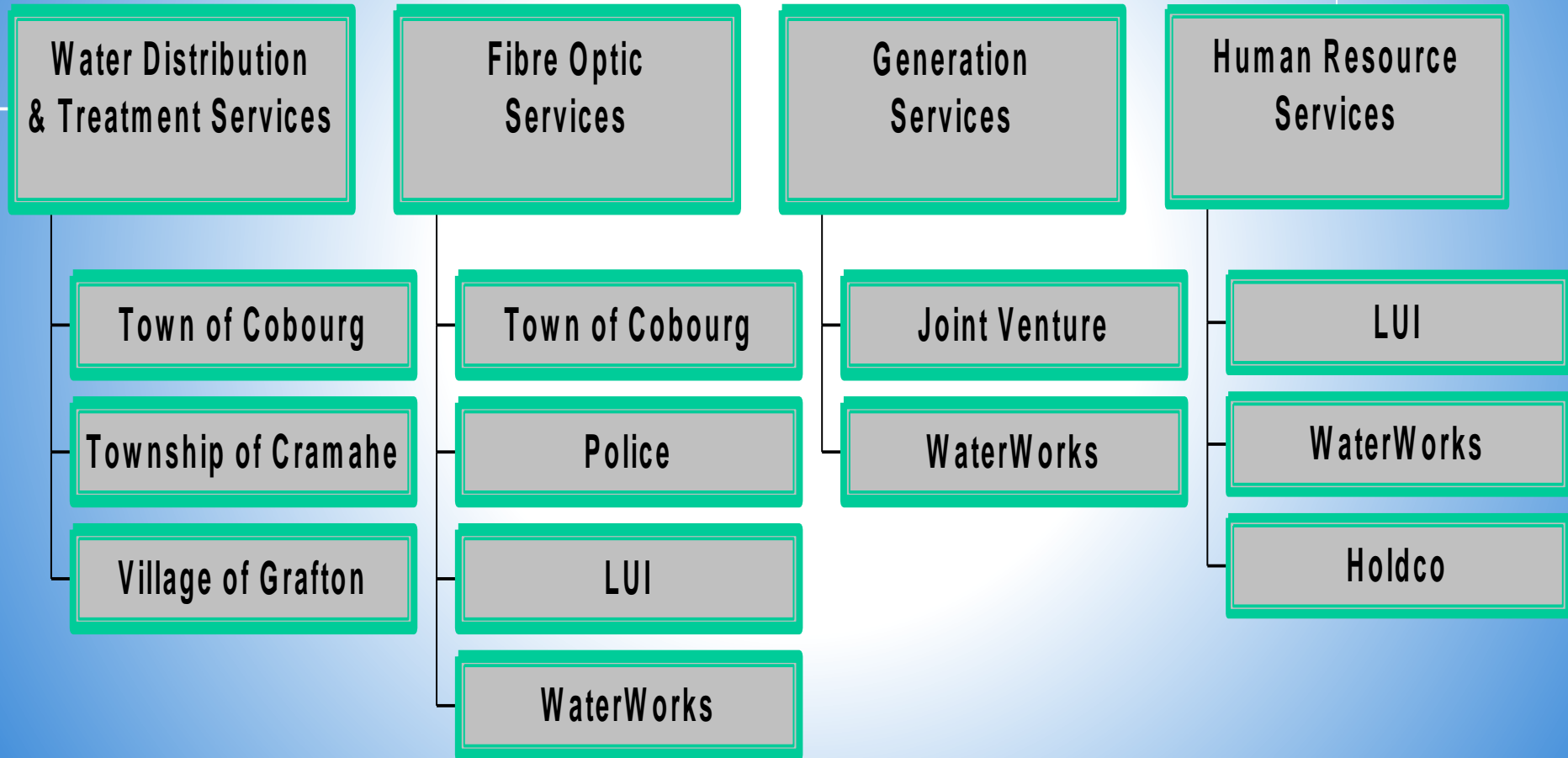
Graham Fisher

Kelley Irwin

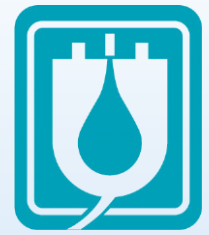
Guru Kalyanraman

Karen Webb

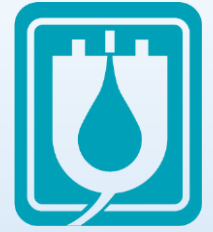
# LUSI (Non-Regulated) Structure



# 2023 Waterworks Initiatives



- Westwood Drive Watermain Replacement (Burnham to Kerr)
- Replaced Duty Chlorinator & Chlorine Weight Scales at Treatment Plant
- Replacement of Chlorine Analyzers for Tower 1, Tower 2, and Booster Pumping Station
- Replacement of Pressure Regulating Valve at Treatment Plant
- Surge Anticipator Valve at the Ewart Street Booster Pumping Station
- Remotely Operated Vehicle Inspection of Water Tower 1
- Meter Audits of Industrial, Commercial & Institutional Customers
- Acoustic Leak Detection Water Loss Mitigation
- Replacement of two Programmable Automatic Flusher Valves
- Asset Management plan in collaboration with Town of Cobourg
- Remote Operate Vehicle (ROV) inspection of Raw Water & Clarifier Dive Inspection



# Current Initiatives and Update

- New Elevated Tank & Booster Station – 25% complete as of May/31/24 and approx. \$4M paid to contractors.



- Summer/Fall main extension of Boggs Road underway.
- Design work for King St. West reconstruction in 2024.
- PLC Upgrades for Strathy Water Tower Zone 2 & Ewart Street Booster Pumping Station.

# 2024 Water Rates



Municipality	Monthly Base Charge (5/8")	\$/m3	Total
Township of Hamilton	\$59.52	\$2.24	\$1,072.64
Municipality of Port Hope	\$58.56	\$1.98	\$1,019.52
City of Kawartha Lakes	\$33.02	\$3.05	\$884.24
Township of Alnwick-Haldimand	\$34.57	\$2.57	\$826.04
Township of Cavan Monaghan	\$34.17	\$1.91	\$715.58
City of Belleville	\$32.76	\$1.99	\$711.52
Township of Cramahe	\$25.00	\$2.55	\$708.00
Municipality of Trent Hills	\$31.79	\$1.85	\$677.48
Municipality of Brighton	\$23.84	\$2.01	\$607.68
Peterborough Utilities Commission	\$23.87	\$1.56	\$535.77
City of Quinte West	\$25.00	\$1.37	\$519.20
Cobourg 2024	\$18.14	\$1.81	\$507.28
Cobourg 2023	\$16.93	\$1.69	\$473.56
Region of Durham	\$21.44	\$1.28	\$461.44

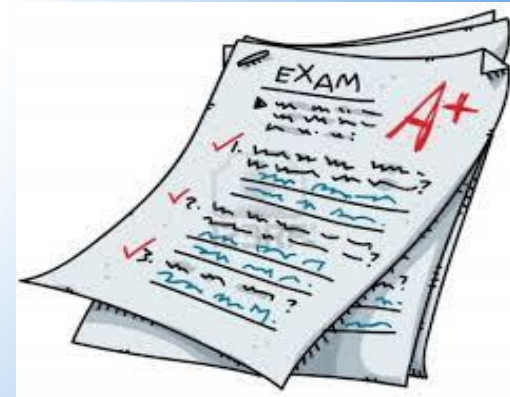
# MECP Compliance/Certification



## Ministry of Environment, Conservation & Parks

### Water Treatment/Distribution MECP Annual Audits systems

- Cobourg – Aug./21/2022 - **100%**
- Hamilton – Nov. 24/2023 - **100%**
- Grafton – Feb./5/2024 - **100%**
- Colborne – Aug./10/2023 – **87.98%**







# Thank You



# Questions



**Lakefront  
Utilities  
Inc.**

**Chair, Gil Brocanier**

Fred Clifford

Neil Freeman

Manuela Ris-Schofield

# Lakefront Utilities Inc. (LUI)



## LUI AT A GLANCE

### HIGHLIGHTS

**99.94%** First Contact Resolution

**99.98%** Billing Accuracy

**5th** lowest Residential Rates in the Province

**5th** lowest OM&A Cost per Customer in the Province

**\$6,372,120** Total Shareholder Equity

**\$370,449** Other Income

**83.9%** Public Electrical Safety Awareness Score

**\$545** OM&A Cost per Customer

**3,480** Electric Inbound Customer Calls

**77%** Customer Satisfaction Score

### INFRASTRUCTURE

**11,288** Customers

**8** Distribution Stations

**1,305** Distribution Transformers

**11,288** Electric Meters

**3,173** Poles

**41,418** kW Peak Load

**235,637,734** kWh Electricity Delivered

**169** km of Overhead Line

**75** km of Underground Line

**27.64** km<sup>2</sup> Service Territory (urban)



# LUI met & exceed OEB 2022 benchmark targets

\* There is a 20-month lag on the 2023 Scorecard from the OEB. Will be available Sep 24

## Scorecard - Lakefront Utilities Inc.

8/30/2023

Performance Outcomes	Performance Categories	Measures	2018	2019	2020	2021	2022	Trend	Target	
									Industry	Distributor
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	98.99%	97.57%	91.17%	92.89%	94.80%	👇	90.00%	
		Scheduled Appointments Met On Time	99.09%	100.00%	100.00%	93.62%	98.89%	👇	90.00%	
		Telephone Calls Answered On Time	85.47%	84.10%	82.27%	95.62%	90.27%	👇	65.00%	
	<b>Customer Satisfaction</b>	First Contact Resolution	99.14%	99.41%	99.77%	99.46%	99.68%	👉	98.00%	
		Billing Accuracy	99.98%	99.95%	99.79%	99.95%	99.97%	👉	98.00%	
		Customer Satisfaction Survey Results	80.70%	80.70%	77.70%	77.70%	77.00%	👉		
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public Awareness	83.30%	83.00%	83.00%	82.80%	82.60%	👉		
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	NC	NC	C	C	👉		C
		Serious Electrical Incident Index	0	0	0	0	0	👉		0
	<b>System Reliability</b>	Number of General Public Incidents Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	👉		0.000
		Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.32	0.76	4.67	0.99	0.63	👆		1.41
	<b>Asset Management</b>	Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.12	0.68	1.53	0.60	0.38	👆		0.62
		Distribution System Plan Implementation Progress	Completed	Completed	Completed	Completed	81%			
	<b>Cost Control</b>	Efficiency Assessment	2	2	2	1	1			
		Total Cost per Customer <sup>3</sup>	\$497	\$501	\$500	\$518	\$545			
		Total Cost per Km of Line <sup>3</sup>	\$24,064	\$23,885	\$24,081	\$24,743	\$26,234			
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time <sup>4</sup>	100.00%	100.00%						
		New Micro-embedded Generation Facilities Connected On Time	100.00%			100.00%	100.00%	👉	90.00%	
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.62	1.32	0.97	0.95	0.78			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.07	1.02	1.15	1.09	0.98			
		Profitability: Regulatory Return on Equity	8.78%	8.78%	8.78%	8.78%	8.66%			
		Deemed (included in rates)	7.76%	7.58%	5.49%	5.93%	10.87%			
		Achieved								

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C), Needs Improvement (NI), or Non-Compliant (NC).  
 2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.  
 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.  
 4. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RHR).

**Legend:**

6-year trend  
 📈 up   📉 down   🔄 flat

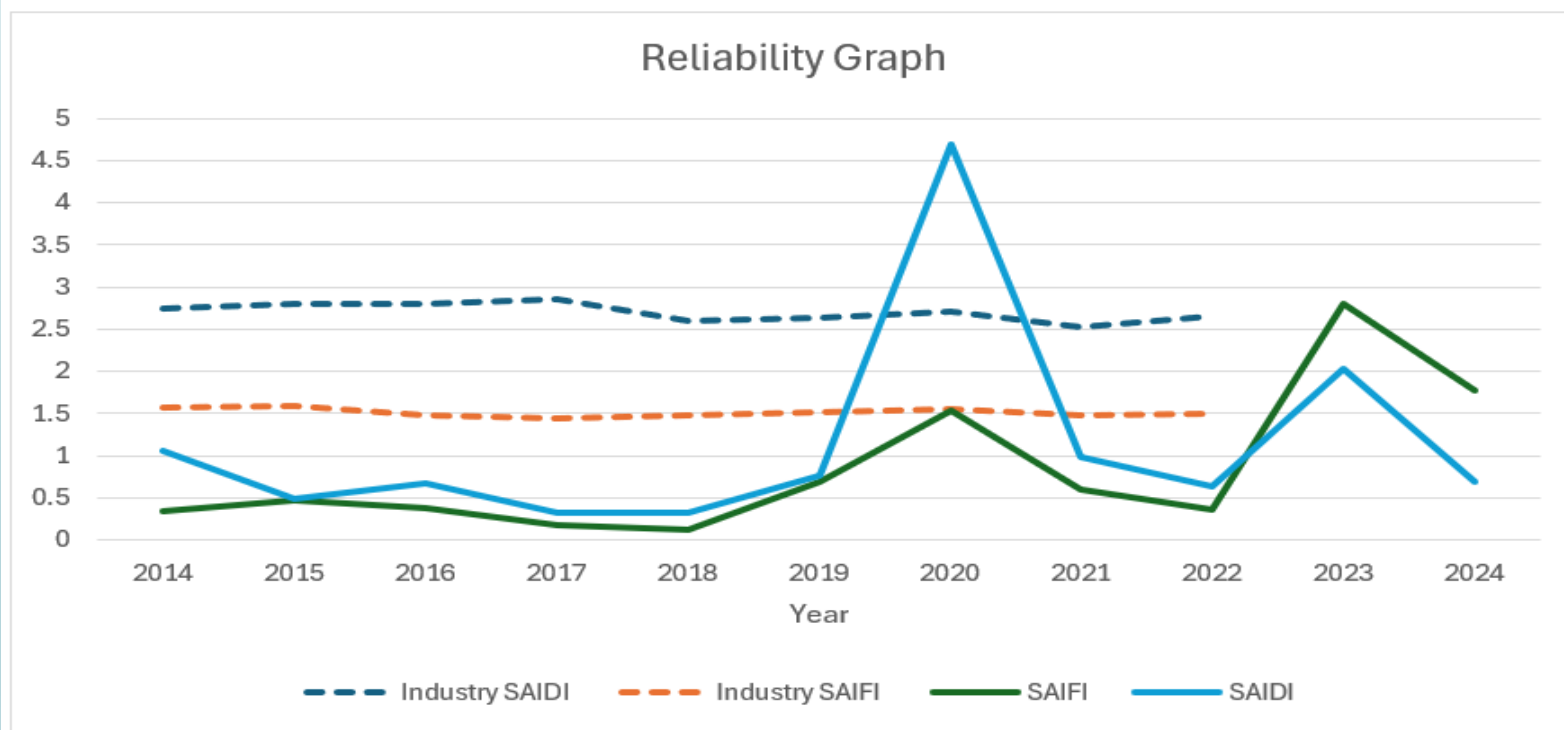
Current year  
 🟢 target met   🟠 target not met



# LUI Reliability Report

The Ontario LDC average reliability information is from the OEB website and is only available to 2022 at this time.

Index	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD 2024
SAIFI	0.34	0.46	0.37	0.17	0.12	0.68	1.54	0.60	0.36	2.80	1.77
SAIDI	1.06	0.49	0.67	0.32	0.32	0.76	4.69	0.99	0.63	2.02	0.69



**SAIDI:** System Average Interruption Duration Index, **SAIFI:** System Average Interruption Frequency Index

# Future Initiatives & Challenges Beyond Capital & Maintenance



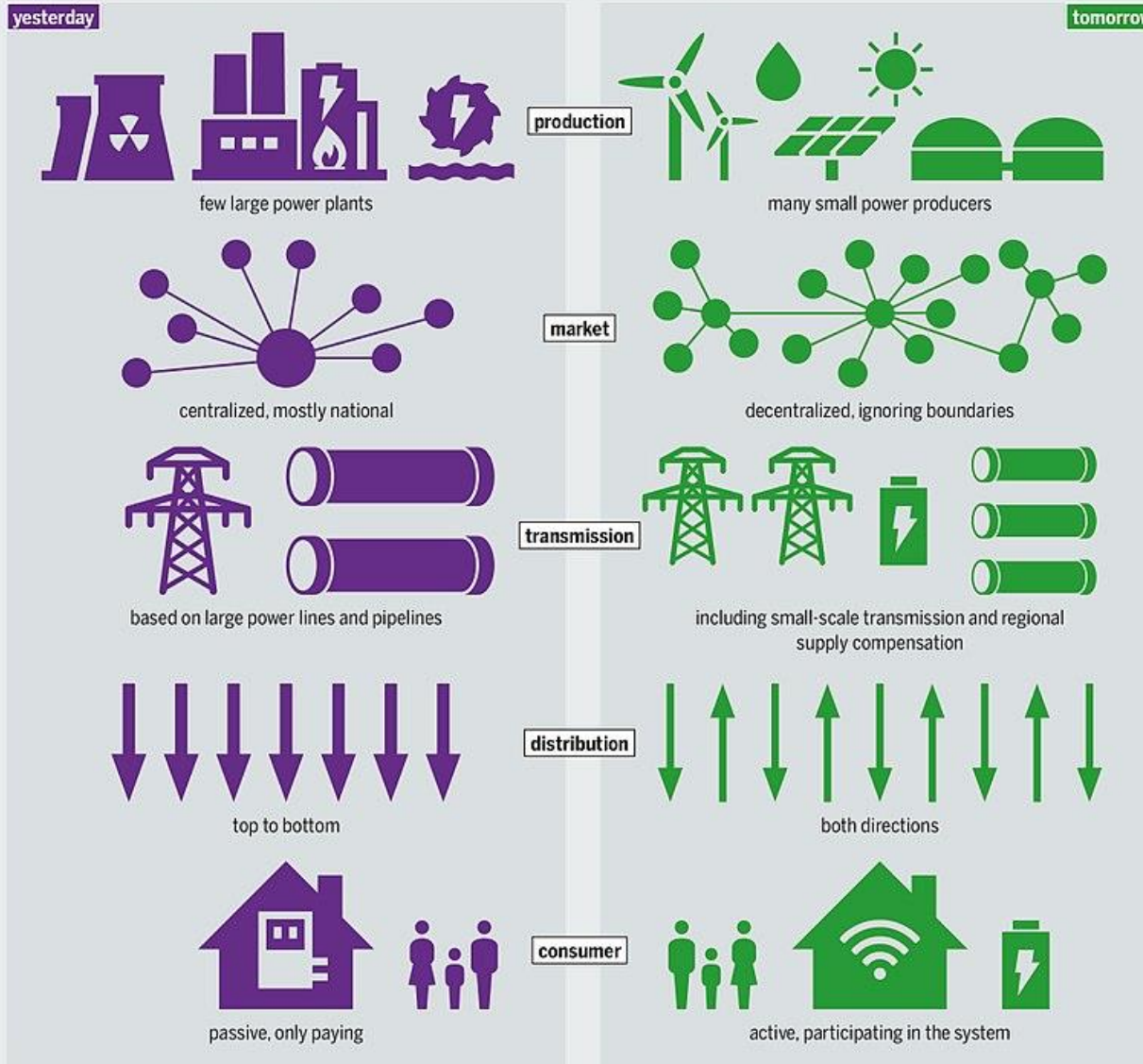
- Victoria substation replacement in 3 years approx.
- Decommission & remediation of three 4kV stations – 2025/26
- Impact of Distributed System Operator (DSO), Electrification of Transportation, Distributed Energy Resources (DER) on grid
- Innovation-modernization of system; automation, proactive responses to down-time, mobile visibility, smart devices deployment.
- Funding – diversification and infrastructure replacement as portions of the electrical infrastructure approach end of life.

# Ontario Evolving Electricity Sector



## STAYING BIG OR GETTING SMALLER

Expected structural changes in the energy system made possible by the increased use of digital tools

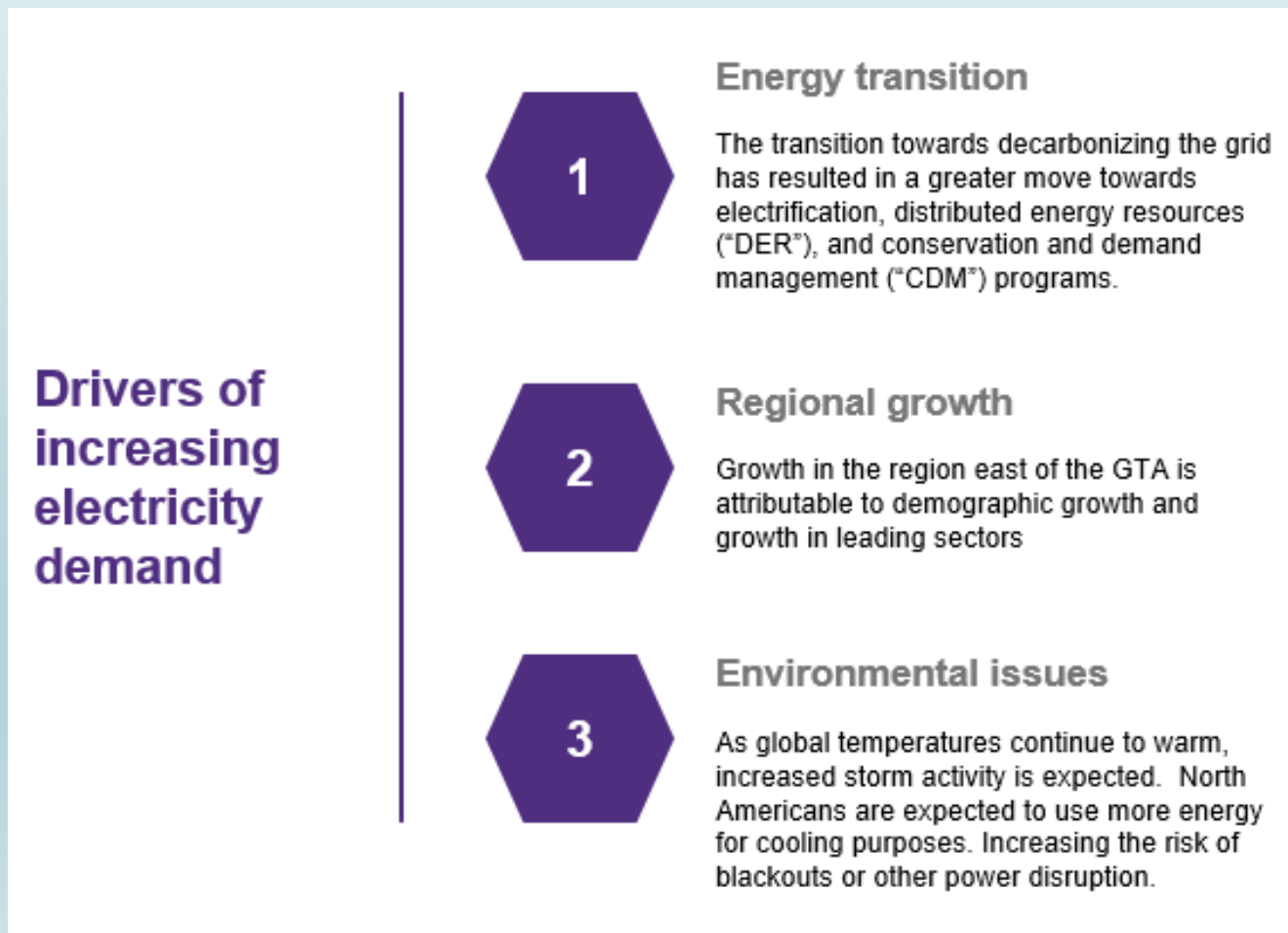


© ENERGY ATLAS 2018 / 450CONNECT

# Increasing Electricity Demand in Sector



The entire electricity sector is undergoing significant change driven by changing customer needs, environmental issues and competing economic forces.





# Increasing Electricity Demand – Energy Transition



## Electrification drivers in Ontario

- ▶ EV adoption continues to grow in Ontario, increasing the demand for EV charging.
- ▶ Many steel companies are transitioning from blast furnaces, which burn fossil fuels to electric arc furnaces.
- ▶ Residential customers and commercial operators are shifting to electric heating to heat water and interior spaces.

## Distributed energy resources

- ▶ DERs reduce reliance on the provincial electricity grid by supplying the electricity needed in local communities.
- ▶ DERs can be located close to urban centres, reducing the need for new or upgraded transmission lines.
- ▶ DERs can be connected to the local or provincial grid, providing back-up power.

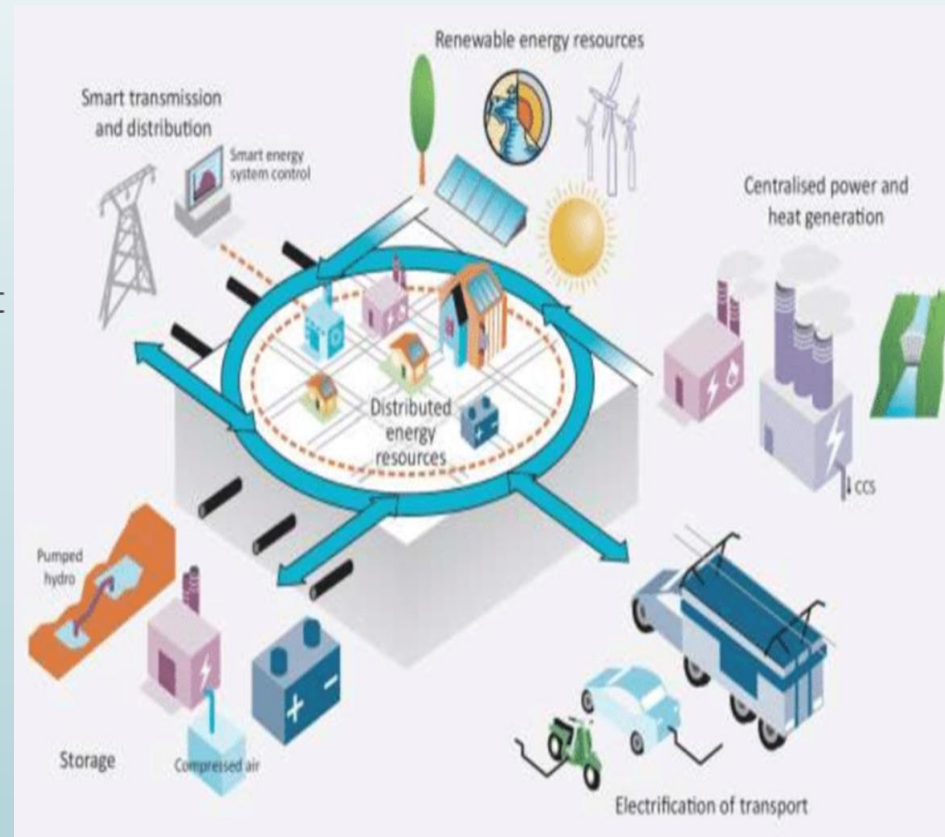
## Conservation and demand management

- ▶ The province of Ontario is actively enhancing CDM programs to meet electricity system needs.
- ▶ The government increased the budget for CDM programs to over \$1.0 billion over Ontario's CDM Framework term from 2021-2024.
- ▶ Four new or expanded CDM programs have recently been introduced, proposed by the IESO.

# Energy Transition



- Net-zero and decarbonization of the grid have been and will continue to be a central focus of energy policy among all political parties at Queen's Park.
- The IESO Pathways to Decarbonization report forecasts in one scenario that electricity capacity needs could double by 2050, increasing from current capacity of 42,000 MW today to 88,000 MW.
- Expansion of electricity grid infrastructure to accommodate load growth, while modernizing the grid to maintain reliability and affordability
- Increasing clean and renewable energy supply to meet energy demands
- Distributed energy resources ("DERs") are creating choices consumers have never had (e.g., solar, storage, electric vehicles, smart-home automation).

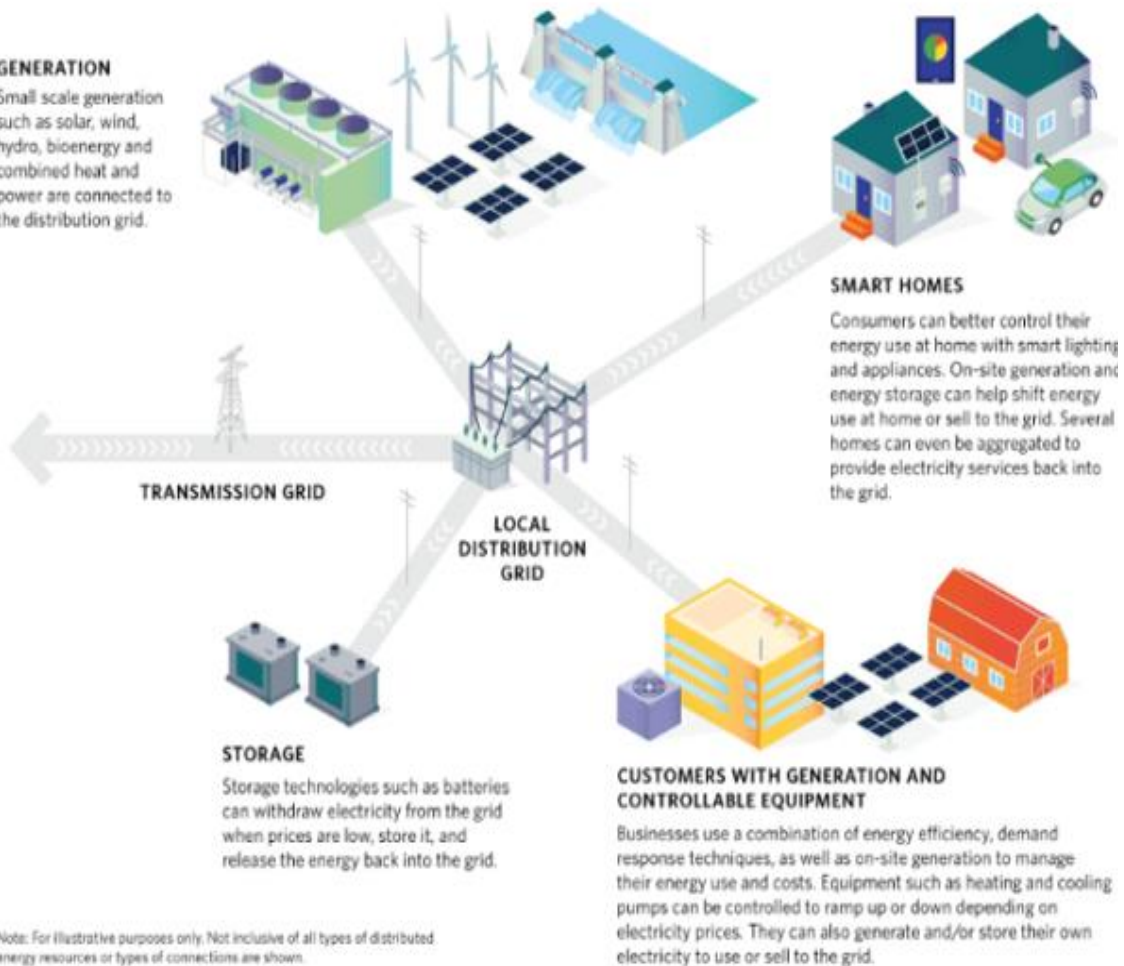


LDCs are under immense pressure to maintain safe, reliable systems while addressing consumer demand.



# Industry Change - Evolving business model

LDCs must be better positioned to respond to shifting consumption patterns and technology advancements



## 1) Customers are using less electricity

- Smart appliances and mobile applications are being developed to help people consume less energy.
- Better building efficiency and NetPositive buildings.
- NetZero and smart-homes, energy controls and dashboards.

## 2) Customers are generating and storing their own electricity

- Solar panels and energy storage are becoming more efficient and affordable.
- Industrial customers are investing in generation and buying less power from the grid.
- Micro-grids: network of buildings completely independent of the grid.

## 3) Electrification is changing consumption patterns

- Transportation sector is rapidly moving towards electrification to reduce carbon emissions.
- Electric vehicles are becoming more widespread.

# Increasing Expectations on LDCs



Safe, reliable electricity at an affordable price will continue to be expected by consumers, as well as the Government, despite the increasing demand and grid innovations

## Deliverable



Provide "advice and proposals to improve distribution sector resiliency, responsiveness, and cost efficiency"



LDCs will continue to...

## Expectations

1

Provide high levels of reliability & resiliency

2

Be responsive to consumer expectations & government mandates

3

Do it all at an affordable price



## Climate Change Resilience

The OEB will have an important role to play in ensuring that LDCs are preparing their infrastructure for [extreme weather] events...

Ensure proposals reflect...

i

Current & anticipated future extreme weather impacts

ii

Best practices in climate change resilience



## Key Enablers

LDCs will need greater capacity to meet these expectations – capacity that can be enabled by aggressively pursuing efficiencies through...

A

Consolidation or enhanced shared services

B

Adoption of innovative technologies & processes

C

Collaboration on responsibilities like cybersecurity

D

Changes to utility remuneration & incentive structure that ensure right investments



# Thank You



# Questions

# Finance & Customer Service

Laurie-Ann Cooledge, Acting CFO

# Town of Cobourg Holdings Inc.



	2023 \$	2022 \$
<b>Revenue</b>		
Revenue (note 21)	5,176,299	4,877,655
Cost of power revenue	29,909,027	28,857,936
Contribution in aid of construction (note 16)	142,200	131,474
	35,227,526	33,867,065
<b>Cost of power purchased</b>	30,002,975	27,991,893
	5,224,551	5,875,172
<b>Gross profit</b>		
Other operating revenue (note 20)	783,418	718,696
<b>Gross income from operations</b>	6,007,969	6,593,868
<b>Expenses</b>		
Amortization	1,263,824	1,130,697
Operating expenses (note 22)	3,867,871	3,095,782
Gain on sale of property, plant and equipment	-	(8,000)
	5,131,695	4,218,479
<b>Income before undernoted items and income taxes</b>	876,274	2,375,389
Finance income (note 24)	(316,667)	(141,000)
Gain on derivatives (note 15)	(22,114)	-
Finance costs (note 24)	775,052	507,885
	436,271	366,885
<b>Income before income taxes and net movement in regulatory deferral accounts</b>	440,003	2,008,504
<b>Provision for income taxes (note 10)</b>		
Current	41,674	71,828
Deferred	154,549	180,843
	196,223	252,671
<b>Income before net movement in regulatory deferral accounts</b>	243,780	1,755,833
<b>Net movement in regulatory deferral accounts</b>	93,948	(866,043)
<b>Net income for the year</b>	337,728	889,790

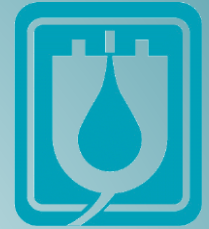
# Lakefront Utilities Inc.



	2023	2022
	\$	\$
<b>Revenue</b>		
Distribution revenue	5,002,095	4,806,840
Cost of power revenue	29,909,027	28,857,936
Contribution in aid of construction (note 12)	138,189	121,753
	<u>35,049,311</u>	<u>33,786,529</u>
<b>Cost of power purchased</b>	<u>30,002,975</u>	<u>27,991,893</u>
<b>Gross profit</b>	5,046,336	5,794,636
<b>Other operating revenue (note 17)</b>	<u>370,449</u>	<u>382,244</u>
<b>Gross income from operations</b>	<u>5,416,785</u>	<u>6,176,880</u>
<b>Expenses</b>		
Amortization	1,225,447	1,115,841
Operating expenses (note 19)	3,318,576	2,722,041
Gain on sale of property, plant and equipment	-	(8,000)
	<u>4,544,023</u>	<u>3,829,882</u>
<b>Income before undernoted items and income taxes</b>	<u>872,762</u>	<u>2,346,998</u>
Finance income (note 18)	(151,836)	(92,356)
Gain on derivatives (note 11)	(22,114)	-
Finance costs (note 18)	762,709	611,970
	<u>588,759</u>	<u>519,614</u>
<b>Income before income taxes and net movement in regulatory deferral accounts</b>	<u>284,003</u>	<u>1,827,384</u>
<b>Provision for income taxes (note 7)</b>		
Current	-	26,106
Deferred	164,349	177,043
	<u>164,349</u>	<u>203,149</u>
<b>Income before net movement in regulatory deferral accounts</b>	119,654	1,624,235
<b>Net movement in regulatory deferral accounts</b>	<u>93,948</u>	<u>(866,043)</u>
<b>Net income for the year</b>	213,602	758,192



# Waterworks



	2023	2022
<b>REVENUES</b>		
Sale of water	6,408,675	6,044,382
Other revenue	329,130	228,157
Development charges	815,034	188,124
Interest income	198,959	48,356
	7,751,798	6,509,019
<b>EXPENSES</b>		
Administration	1,438,687	1,372,080
Amortization	1,434,837	1,380,378
Interest on long term debt	28,373	33,635
Other interest	89,517	45,817
Management fees	70,307	76,434
Water distribution	997,332	907,571
Water treatment plant	781,851	725,503
	4,840,904	4,541,418
<b>Net Income</b>	2,910,894	1,967,601

# Wrap-up



**Town of Cobourg Holdings Inc.**

Chair, David Tsubouchi



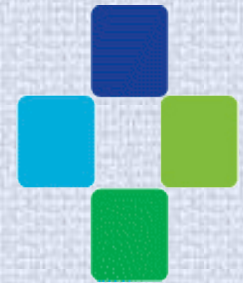
# Snapshot of HOLDCO Benefits to Cobourg 2001-2023

35

Dividend	\$ 7,410,600
Interest	\$10,271,300
<b>Total Cash Benefits</b>	<b>\$17,681,900</b>
<b>Add. Non-Cash Benefits</b>	<b>\$ 5,190,200</b> (Fiber Service, etc.)
<b>Total</b>	<b>\$22,872,100</b>

**Community Involvement:** Sponsor Civic Awards- Environmental, United Way- Day of Caring, Salvation Army, Local Food Bank, Help Centre, Lakefront Scholarships, etc.





# TOWN OF COBOURG HOLDINGS INC.

Thank you

