

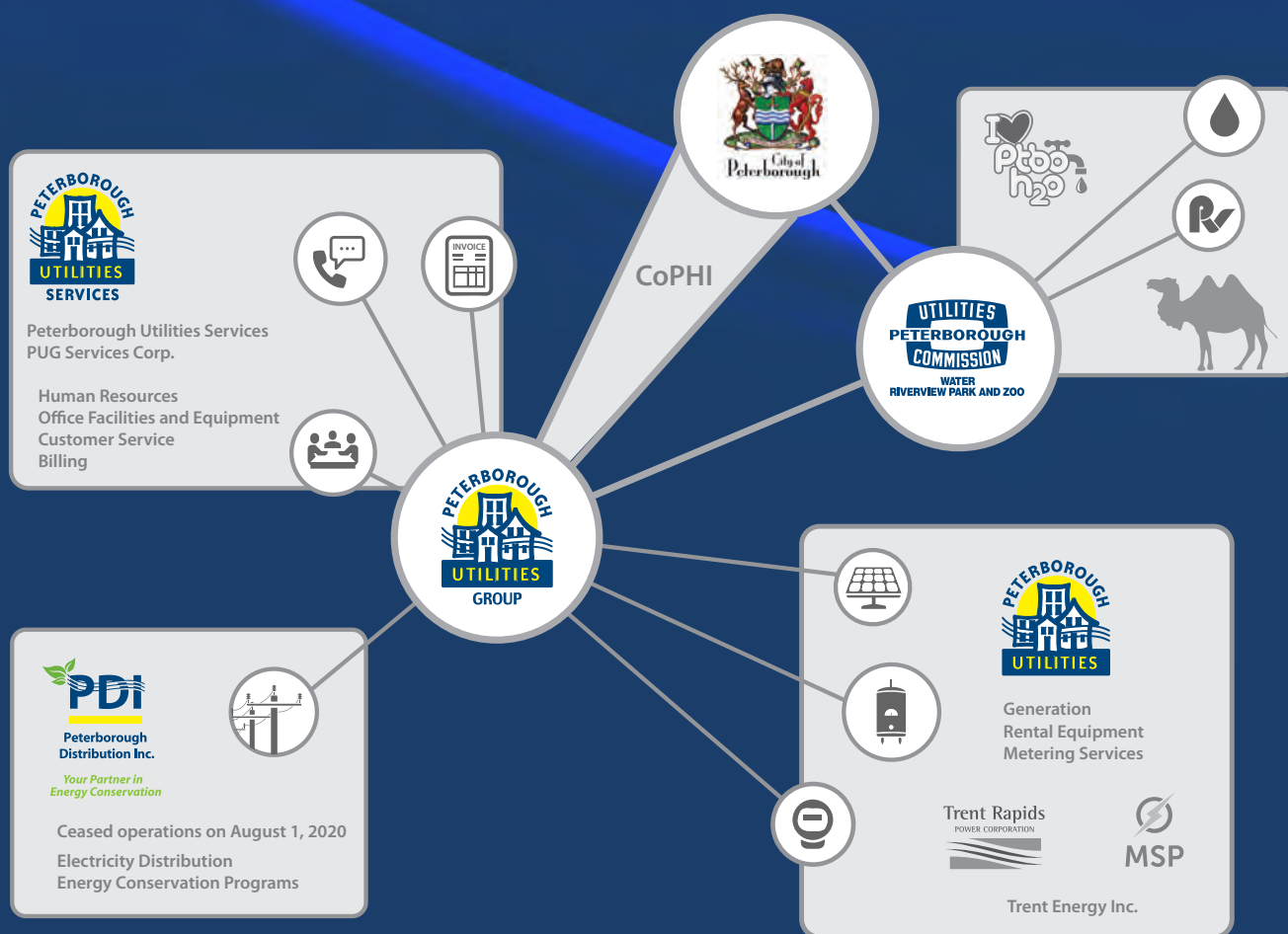
City of Peterborough
Holdings Inc.

ANNUAL REPORT

2020

Our 2020 Annual Report	1
We Start with Safety	8
Customer Service	9
Community Support	10
Energy Conservation	11
Water Conservation	12
2020 CoPHI Financial Performance	13
2020 Statement of Operations	18
Independent Auditor's Report	31
Board of Directors and Executive Team	36
Companies and Committees	37

Cover photo: Drone photography captures the power of our London Street Generating Station at sunrise.



Our 2020 Annual Report

Introduction

We are very pleased to provide this Annual Report for the City of Peterborough Holdings Inc. (CoPHI) for the fiscal year ended Dec. 31, 2020. CoPHI operates electricity and water distribution systems in the City of Peterborough and surrounding communities. The Company also develops and operates renewable hydro and solar generation facilities and operates a wholesale metering business. The Company and its related entities operate as the Peterborough Utilities Group (PUG).

Our Performance

During the year, the Company completed the sale of the electricity distribution business operating as Peterborough Distribution Inc. (PDI), to Hydro One Inc. Net income for the year was \$34.5 million, including \$30.0 million related to the operations and gain on the sale of PDI.

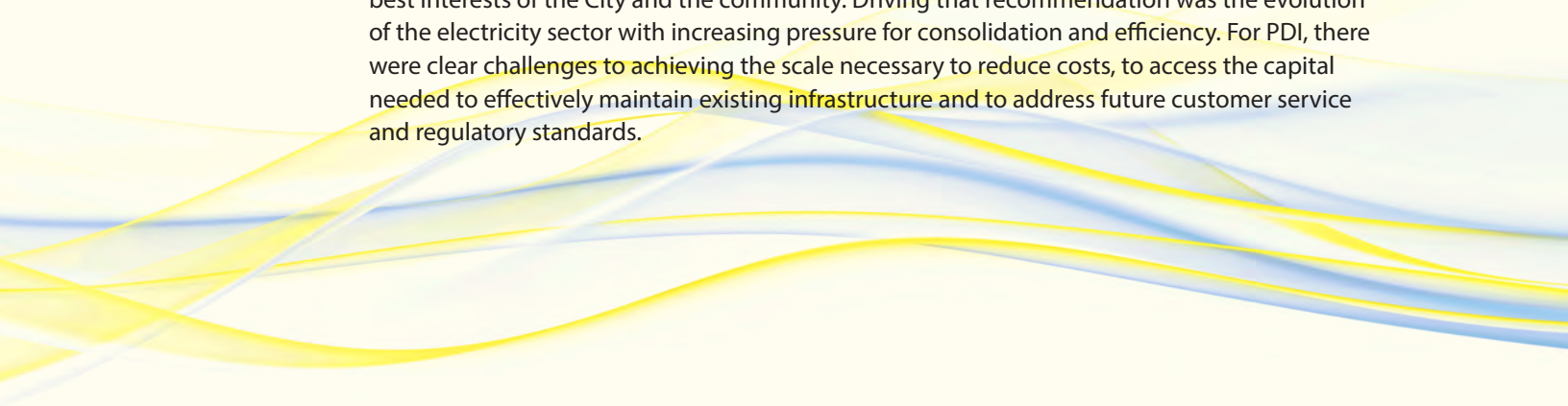
Before consideration of the financial impact of the PDI sale, the normalized 2020 financial results reflect another strong year of performance. Income from continuing operations before transition costs and tax was \$6.9 million (2019: \$8 million), which was consistent with the Company's plan and expectations for the year. Earnings before income taxes, interest and depreciation were consistent at \$22.8 million (2019: \$23.6 million). Without any new additions to generation capacity during the year, the performance reflects favorable climate conditions and no significant unplanned downtime for the existing generation facilities. By comparison, fiscal 2019 results were slightly higher and were aided by very favourable operating conditions in that year.

Throughout the year, all PUG business segments continued to operate as essential businesses, as defined by Provincial regulation and emergency orders during the COVID-19 pandemic. Conduct of our operations were appropriately modified to address all safety protocols and to ensure the safety of our employees and the public. Our financial performance for the year was not significantly impacted by our modified operations.

The PDI Sale

On April 30, 2020, the Company received regulatory approval from the Ontario Energy Board (OEB) to dispose of the PDI distribution business to a wholly owned subsidiary company of Hydro One. On Aug. 1, 2020, the transfer was completed and the remainder of the year was spent working to transition and integrate the business with Hydro One. That business integration was completed subsequent to the year end on June 1, 2021.

The completion of this transaction was the end to a journey that had commenced in Oct. 2016, with the CoPHI Board recommendation to the City Council that the PDI sale was in the best interests of the City and the community. Driving that recommendation was the evolution of the electricity sector with increasing pressure for consolidation and efficiency. For PDI, there were clear challenges to achieving the scale necessary to reduce costs, to access the capital needed to effectively maintain existing infrastructure and to address future customer service and regulatory standards.



The City of Peterborough Council approval was obtained in Dec. 2016, after significant public consultation and review throughout 2016.

The public regulatory approval process commenced in Dec. 2018, and was completed in April 2020. In providing its decision and approval of the transaction, the OEB considers whether the “no-harm test” is satisfied based on an assessment of the cumulative effect of the transaction on the attainment of its statutory objectives with respect to electricity. Those objectives include: protecting the interests of consumers with respect to prices; the adequacy, reliability and quality of electricity service; and promoting economic efficiency and cost effectiveness in the industry. With its decision, the “no-harm” test was determined to have been met.

In the CoPHI Board’s recommendation to the City, the following key principles were to be addressed:

1. Create the best financial value for the City.
2. Protect customers from increases in distribution rates.
3. Ensure customer service excellence.
4. Increase local jobs and economic activity.
5. Ensure fair treatment of existing employees.

Below is more information about how the transaction satisfies each of the stated principles.

Best Financial Value

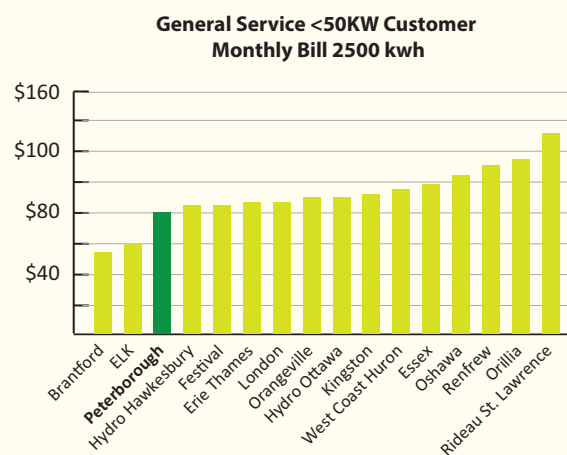
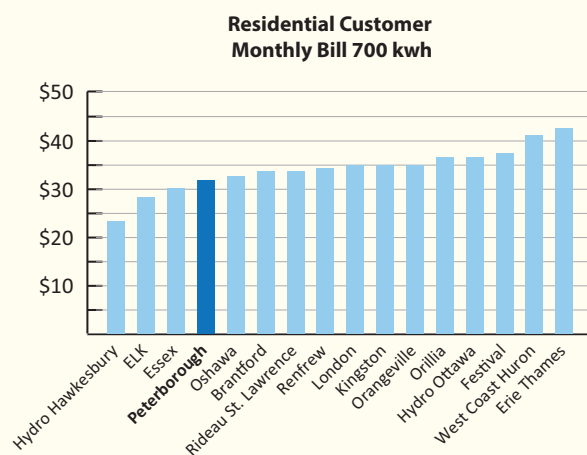
The CoPHI Board reported to City Council that the sale of the PDI business for \$105 million was estimated to yield net cash proceeds of the sale, after paying debt, taxes and other sale-related costs, in the range of \$50 to \$55 million. In its independent report to Council on November 24, 2016, Navigant Consulting confirmed that estimate range, noting that the proposed sale value was very competitive with other transactions in the market.

As a result of the sale, on Aug. 5, 2020, the City of Peterborough received \$60.1 million, and is expected to receive a final instalment of \$5.9 million in 2021 for total proceeds of \$66.0 million. We conclude that financial value was well attained for the City of Peterborough.

Protecting Customers – Distribution Rates

Under the terms of the transaction, it was proposed that PDI customers would be protected from increases in the distribution component of their total bill for at least 10 years. In the first five years following the sale, the rate for the distribution component paid by PDI customers would be frozen at current levels, less 1%. In the following five years, rate increases for the distribution component would align with the rate of inflation.

On May 14, 2020, Hydro One filed its draft rate order in accordance with the April 2020, OEB decision, reflecting a 1% reduction to the PDI distribution delivery rates for residential, general service and large user customers. On July 9, 2020, the OEB approved this application and customer rates were reduced effective Aug. 1, 2020. Future rate increases in years following the first five years will be governed by the OEB and will be in keeping with the rate of inflation.



Over the seven-year period from 2013 to 2020, PDI's distribution rates minimally increased: 4.8% in aggregate or 0.69% on average per year. PDI has historically had low distribution rates in comparison to the industry.

The OEB-approved rate decrease will serve to further maintain these historically low distribution rates through to August, 2030. We conclude that the rate protection principle was well attained.

Customer Service Excellence

PDI has had an excellent track record of customer service, and it was important that any transaction take into consideration the maintenance of service levels. Many of the same PDI employees were expected to continue to serve PDI customers, with further support provided by Hydro One resources.

In its decision, the OEB also accepted that assertion, noting that the retention of the expertise of relevant PDI staff coupled with Hydro One's new tools and technologies, and its ability to leverage field crews for emergencies, would support PDI's system reliability and quality of service following the transaction. The OEB's findings were also supported by Hydro One's assurance of additional customer service benefits in the form of longer call centre hours, online outage notices including emails, and interactive voice response, as well as the planned expansion of telephone call answering capacity. We are confident that the customer service excellence will continue for all of PDI's current and future customers.

Jobs and Economic Development for Peterborough

As was proposed, the transaction included the development of a new Regional Operations Centre and a new Fleet Maintenance Garage in Peterborough. These new facilities are in progress and are being led by the City of Peterborough. Upon completion, the continued permanent presence in Peterborough will increase local job opportunities and will drive growth in the local economy.

Fair Treatment of Employees

All existing employees were offered employment with a one-year service and location guarantee as well as recognition of past service for purposes of seniority. The transition of all staff to Hydro One was done in two stages with the final stage completed subsequent to the year end on June 1, 2021, with all employees receiving equivalent or better remuneration and stronger future career prospects. The terms of the transaction and the transition have met the requirement of treating existing PDI employees fairly.



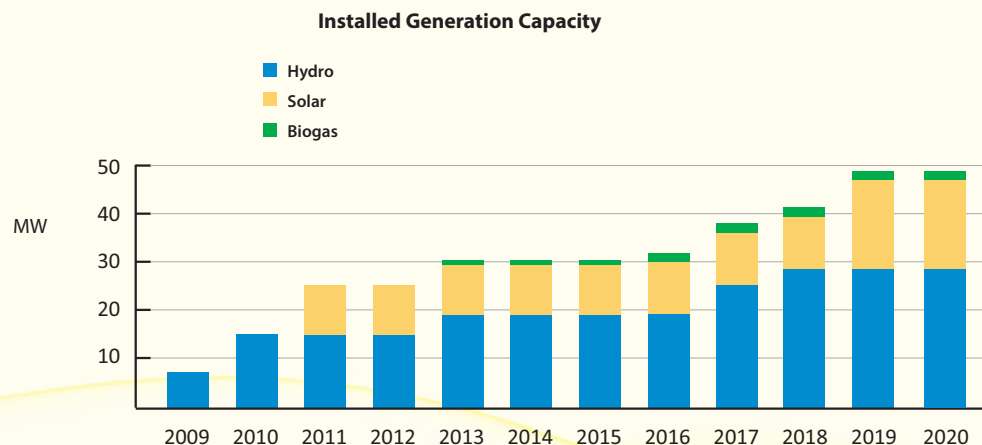
A Company Retrospective

In January, 2000, the Ontario electricity industry was restructured and effective ownership of local utilities was transferred from the Province to Municipalities. Many Municipalities undertook public reviews to assess whether to retain or sell their utilities. Peterborough, with its prominent place in the history of electricity in Ontario, was known as the “Electric City.” In 2000, after careful consideration and public review, the City of Peterborough decided to retain its utility and established three separate companies: Peterborough Distribution Inc. (PDI), Peterborough Utilities Services Inc. (PUSI), and Peterborough Utilities Inc. (PUI). Peterborough Utilities Services Inc. was also responsible for the provision of water treatment and distribution services to the Peterborough Utilities Commission (PUC).

Operating together as Peterborough Utilities Group (PUG), over the last 21 years PUG has achieved considerable growth while seeing significant change across the Ontario electricity industry. The key to our success has always been our employees. They embody the Electric City spirit, working in the ever-changing present conditions to ensure a bright future for the Peterborough community and our customers.

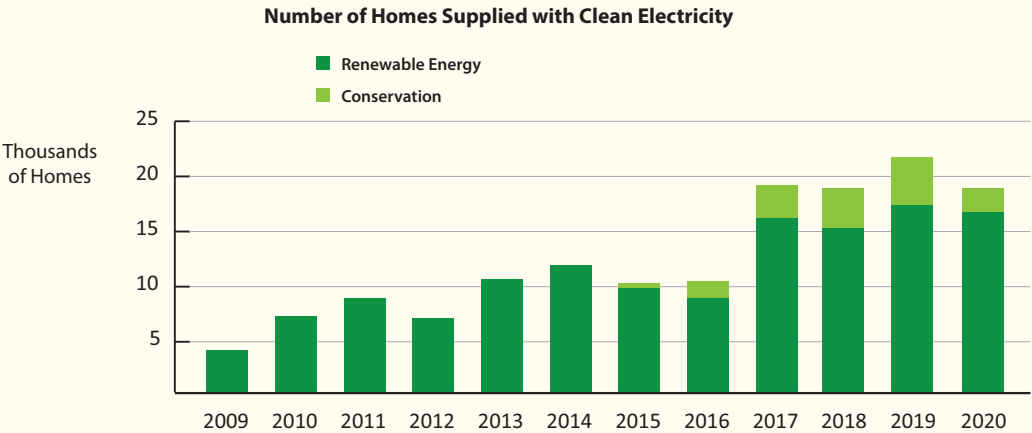
The sale of PDI was a difficult decision, but it was the right decision, as evidenced by its many benefits outlined in the foregoing. The decision was made easier with the knowledge that the growth of the utility over the past 20 years in both the electricity generation and the water business would continue to support the company’s future. To put that into perspective, in 2000, PUI was established with approximately \$5 million in assets and 4 MW of generation capacity. By 2020, PUI had grown to have more than \$200 million in assets and 49.6 MW of clean renewable generation capacity. In 2020, PUI comprised 43% of the combined PUG assets and was responsible for \$4.5 million or 76% of the total \$5.9 million annual dividend to the City.

The following chart shows our growth in installed generation capacity; the result of leveraging our expertise in developing strategic partnerships and in developing renewable generation assets. This growth has produced increased returns and distributions to the City.



Clean Energy Combats Climate Change

In February 2020, we reported to City Council that, in conjunction with the conservation efforts of PUG, our renewable generation capacity annually provides clean energy equivalent to approximately 22,000 average Peterborough households.



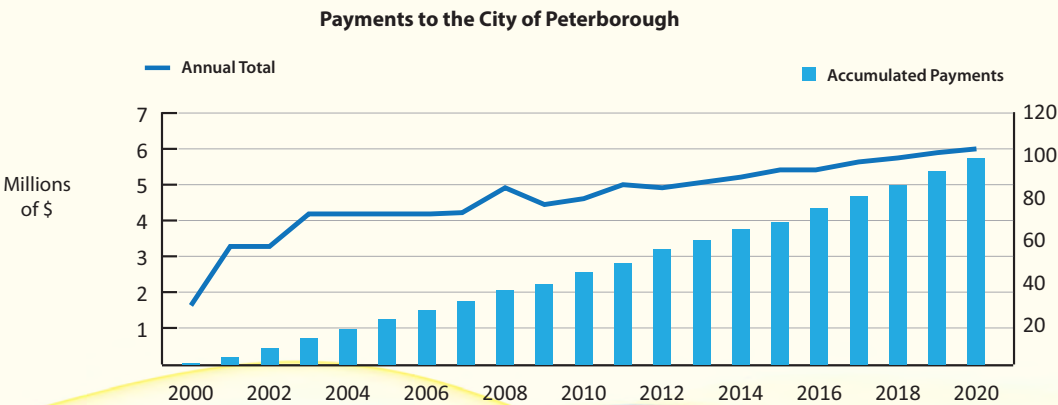
Our Investment Drives the Local Economy

We further reported to Council that the investments made over the past years as reflected in our historic growth have supported local economic spin-off benefits. The Ontario Chamber of Commerce has published an independent, non-partisan study on the economic impacts of investment in infrastructure projects. Research demonstrates that the impact of infrastructure spending on job creation is significant. For every \$1 billion in infrastructure spending, it is estimated that 16,700 jobs are supported for one year.

Analysis has found that only about 20% of the economic benefits of infrastructure investment comes from the capital spent; approximately 80% comes from long-term economic spin-off activities. Furthermore, infrastructure investment results in lowered business costs and increased labour productivity. Our investment history has supported the equivalent of approximately 2,500 local job-years and \$150 million of economic spin-off.

Our Investment Provides Financial Returns

Annual distributions to the City have grown alongside our history of investment, peaking in fiscal 2020 with a dividend of \$5.9 million to the City. Last year, the City of Peterborough received \$66 million in distributions from the Company, made up of the regular annual dividend of \$5.9 million and the \$60.1 million special distribution from the PDI sale.



The Future is Bright

Climate change has become a predominant issue for our future. The reliance on and need for clean energy will continue to increase and the electricity industry will play a major role in bringing solutions. Renewable generation and related infrastructure and technologies will continue to play a vital role in the solution. When we look to our history of success on this playing field, we can be assured that PUG will be at the forefront in the future.

In looking to the future there are two matters to be addressed:

Recalibration and Support

The completion of the PDI transaction provides an opportunity for the utility to recalibrate for the future. In so doing we have explored with City Council over the past several years a need for support of the utility and a holistic view of the future of the utility. That has included the discussion on reinvestment, and a repositioning of the water/wastewater business locally and regionally to achieve greater benefits for the community.

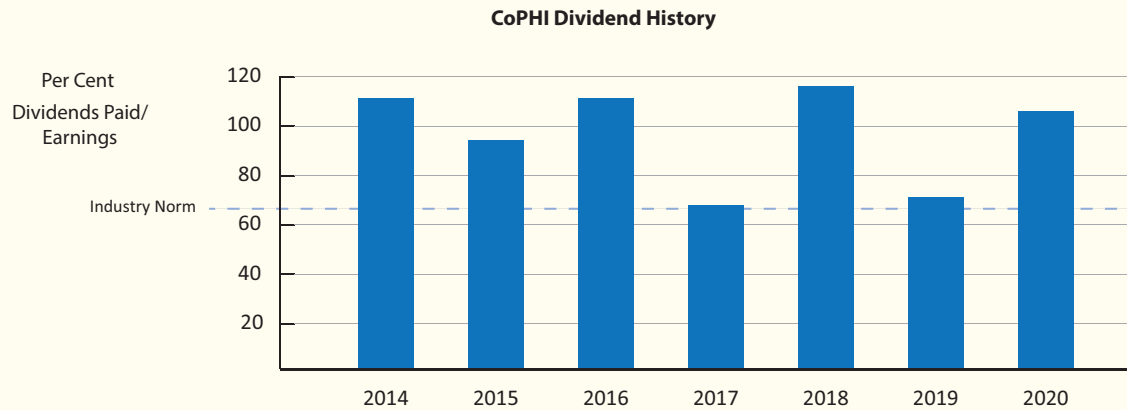
Our future strategy will continue to leverage our considerable industry experience and talent in addressing renewable energy opportunities directed at the fight against climate change. We will ensure that the City of Peterborough's stated commitment to fighting climate change is translated into strategic execution that drives quantifiable improvements to our climate, while providing risk-adjusted economic returns. Our annual report and history outlines our success in delivering such results. As the energy industry changes at a rapid pace to address our changing climate, our shareholder's commitment to our future success has never been more important.

Sustainable Dividends

For many years the City has been able to enjoy a dividend level that is well above the industry average and, in most years, above what is an acceptable norm. In 2020, while total dividends were \$43 million, \$37.1 million related to the distribution of PDI sale proceeds to the City, a non-recurring dividend.

The fiscal 2020 dividend of \$5.9 million received by the City from regular continuing operations was greater than the Company's ability to earn. That recurring \$5.9 million dividend was 103% of the Company's earnings when we include the operations of PDI for the period of 2020, prior to its sale. When that is excluded, the dividend was 131% of the Company's earnings. Normal industry ratios would suggest a dividend that is 65% of the sustainable earnings or approximately \$2.9 to \$3.7 million.

This is not a one-time event isolated to 2020. Over the past seven years (since 2014), the average dividend payment has been 97% of earnings and has exceeded earnings (>100%) in four of the seven years, and exceeded the industry norm in all seven years.



The history of increased dividends has been attained as a result of the past success and growth of the utility, made possible by strategically investing in new generation assets and operations. To support the current level of dividends from CoPHI, the growth of the utility can be fueled by reinvestment of a significant portion of the PDI sale proceeds. Without this investment and shareholder support, the growth of the utility will be curtailed and a recalibration of dividend levels will be required. The current dividend level is not sustainable without significant investment and should be considered, in effect, a gradual liquidation of the Company.

Thank You

Thank you to our customers, supporters and employees for their contributions and support in 2020. While the pandemic proved to make 2020 a challenging environment for all, we are proud of our accomplishments reflected in this Annual Report.

In 2020, and in conjunction with the transition of PDI, we say goodbye with special thanks to several key employees, Board Directors and Executive Management, who were instrumental in our success. We wish them the very best in their future endeavours.

Thank you to the Board of Directors for their leadership and oversight of the Peterborough Utilities Group. Additional thanks go to the Commissioners of the Peterborough Utilities Commission for their oversight of the water operations of our business.

John Stephenson
President & CEO
Peterborough Utilities Group

Nancy Brown Andison
Chair
City of Peterborough Holdings Inc.

We Start with Safety

PUG is committed to protecting the health and safety of our employees, customers, contractors, suppliers and everyone in the communities we serve. We believe that all workplace injuries, accidents and occupational diseases are unacceptable and preventable and we promote a culture of continual improvement.

During 2020, PUG reached a significant milestone: more than 6 years without any lost-time injuries. Considering the many challenges that COVID-19 introduced to the workplace, employees adapted exceptionally well and maintained their focus on working safely and set an exemplary record of zero medical aid or lost-time injuries during the year.

The COVID-19 pandemic brought many challenges to our workplace. As the provider of the essential services of clean water and electricity, our main goal was to ensure employees were protected and safe so they could respond to the needs of the community and ensure the reliability of critical infrastructure.

New safety procedures and protocols were introduced and, where possible, employees worked from home or alternate work locations. Employee diligence and commitment to following the new protocols resulted in zero workplace transmissions of COVID-19.

We work to educate the community on safety issues ranging from public safety around our generation facilities to general water safety. Our funding of the Peterborough Risk Watch Network continued with great success in 2020. Initially, the program was scaled down but quickly regained its status back to 100% at year-end. The objectives of the program are to educate children on safety around water and dams as well as encourage safety at Riverview Park & Zoo.

> 6 years with no lost-time injuries

0 COVID-19 workplace transmissions



Customer Service

As for all organizations, the pandemic proved that 2020 was a challenging year for customer service.

In response to the pandemic, our Business Continuity Plans were executed, mobilizing our Customer Service and Billing Integration staff to their homes. Within a week of being notified of the Provincial lockdown, our team had been dispersed and a new virtual phone queue was set up and activated. Using our website, social media, and messages on our normal phone lines, customers found our new phone number and calls immediately came into our system.

Even with all these obstacles, we continued to service our customers in the manner they expect and deserve. In 2020, Customer Service fielded over 34,000 phone calls. Call volumes were lower in 2020, impacted by the government's extension of the suspension of all collection activities which remained in place throughout the year. Along with this extension, the government froze electricity rates at the "off-peak" rate of \$0.085 per kWh. These measures were taken to soften the impact of increased electricity use for those remaining at home and working from home under Provincial orders to address the pandemic.

34,000 phone calls

5,530 Facebook followers 

 11,681 followers on Twitter

1,071 Instagram followers 



Community Support

One of PUG's core values is Community Focus. Our employees regularly demonstrate the importance of this value by giving back to the communities we live in and serve.

The COVID-19 pandemic and state of emergency impacted all Canadians and residents of Peterborough and resulted in many citizens in need of support and requiring access to assistance programs.

PUG, its employees and board of directors generously donated \$228,000 to help the families in our communities during the unprecedented time of need. This was the largest community-giving campaign in the Company's history in support of two local agencies: Kawartha Food Share and the Community Foundation of Greater Peterborough. The two agencies were chosen for their history of strong support and direct assistance to those in need: Kawartha Food Share for their direct distribution of food to our community, and the Community Foundation of Greater Peterborough COVID-19 initiative for providing funding to many support agencies in our community.

We are proud of our employees for showing kindness and compassion to the people in our communities at such a trying time.

Our employees regularly and generously give back to the communities we live in and serve



Energy Conservation

PUG invests in sustainability measures and ensures cost effectiveness, while promoting conservation and a healthy environment. Our priorities include the promotion of electric transportation, programs to help people run their homes and businesses more efficiently, a focus on low-income affordability, education outreach, employee and community engagement and increasing tourism for our region.

In late 2019, conservation programs were largely centralized by the provincial government through the Independent Electricity System Operator (IESO), resulting in a downturn in the level of conservation program delivery in Peterborough. Throughout 2020, PDI continued to support the IESO to ensure that local customers had access to these remaining beneficial programs.

PDI commenced a local program called the Refrigeration Efficiency Program (REP) which assisted commercial customers by bringing their coolers and refrigerators up-to-date with LED lighting, gaskets and improving the function of the compressor. It is our hope that once businesses start to re-open after the pandemic, these programs will take flight.

The Refrigeration Efficiency Program helped commercial customers update their coolers and refrigerators to save energy



Water Conservation

Water conservation is critically important to our future. Education and promotion of conservation are vital to combat the effects of climate change. PUG continues to play a role in this regard including subsidizing customers' purchases of 152 rain barrels from our partner, GreenUP. Staff successfully established the online store, where they prominently featured the rain barrels offered through our rebate program.

We continued to fund the Water Wise Landscape Recognition Program. Its "Garden-in-a-Box" helps customers switch to drought-resistant landscaping. The program succeeded by allowing customers to preorder, prepay and arrange for curbside pick-up. The website at greenup.on.ca/program/waterwise has a map for a self-guided Water Wise garden tour.

In collaboration with GreenUP, we continued to participate and financially support the BlueW Ptbo program, which promotes municipal tap water as a healthy, easily accessible alternative to bottled drinks. Participating locations display a co-branded BlueW decal in their windows. GreenUP has developed a COVID-19 water bottle refill plan that outlines three recommended ways to safely refill water bottles during the pandemic. To ensure the bluewptbo.ca water refill map is accurate during the pandemic, GreenUP has reached out to each water refill location host to confirm their participation and offer support. In addition to education and support on safely adhering to recommendations for designated BlueW Ptbo locations, consistent safety signage for refill locations was developed.

Also in 2020, we continued the Nature's AC Urban Forest Program. We purchased three large native trees in GreenUP's Ecology Park and expanded the children's willow tunnel to provide shade and showcase the benefits of trees and drought-tolerant shrubs in our urban landscapes.



2020 CoPHI Financial Performance

Overview

The 2020 audited financial statements, for which a condensed summary is included in this report, mark the final period of ownership of the PDI distribution business as the sale to Hydro One Inc. was completed during the year. Similar to the previous year, the operations of PDI have been reported in our financial statements as a discontinued operation, segregated from the ongoing operations of CoPHI.

Sale of Distribution Business

On Aug. 1, 2020, the City of Peterborough, CoPHI, Hydro One and their relevant subsidiaries completed the sale of the business and the distribution assets of PDI to Hydro One. The total sale price was \$105 million, resulting in a net gain on disposition in CoPHI of \$32.8 million.

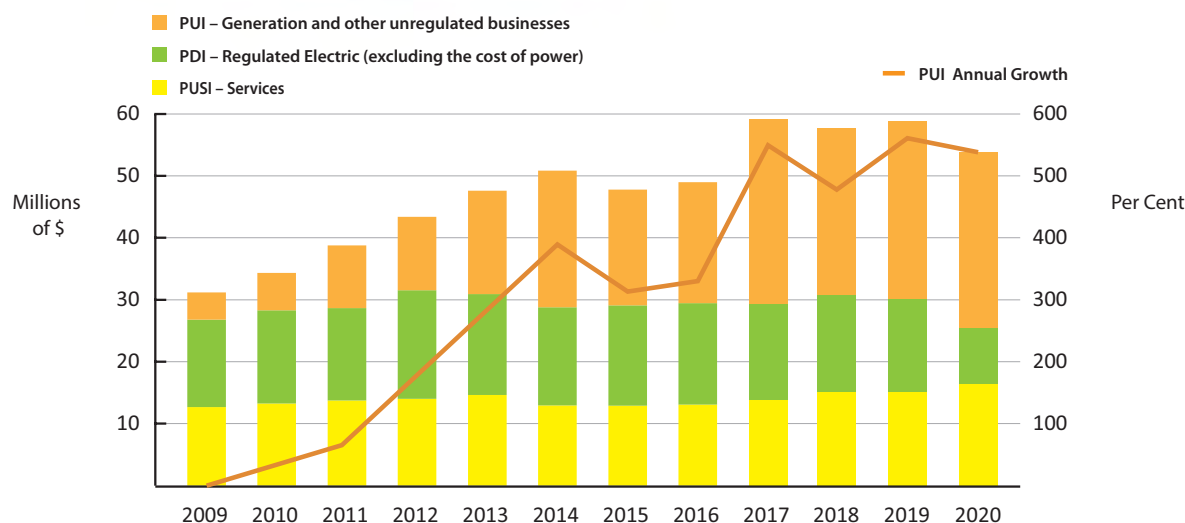
This difference reflects that the sale price negotiated by management exceeded the net book value of the assets sold. The net gain on disposition for accounting purposes is distinct from the amounts that were distributed to the City as a result of the transaction, as described on page 5 of this report.

Purchase price	\$ 105,000,000
Allocation of total purchase price	
Net capital assets	(63,850,000)
Net assets	(6,451,000)
	(70,301,000)
	34,699,000
Gain on sale of land	264,000
Transaction costs	(2,139,000)
Gain on disposition	\$ 32,824,000

Revenue

Since 2009, CoPHI's overall revenue has increased by \$22.6 million, from \$32.1 million in 2009 to \$54.7 million in 2020, with revenue growth in the generation and unregulated business increasing by 556% over the same period. Total revenue for 2020 was lower due to the disposition of the distribution business midway through the year. Excluding revenues from PDI, revenue increased \$27.3 million for the same period. The chart below illustrates the components of revenue since 2009, including PDI but excluding the cost of power. The growth in PUI revenues since 2009 has been the result of our expertise and strategic investments during this period. In contrast, the PDI business, as a mature business, could not grow.

Sources of Revenue



Since 2009 our investment has achieved:

- ↑ \$22.6 million increase in revenue
- ↑ \$15.4 million EBITDA increase
- ↑ 8% EBITDA growth every year
- ↑ 2.5% increase in City distributions every year

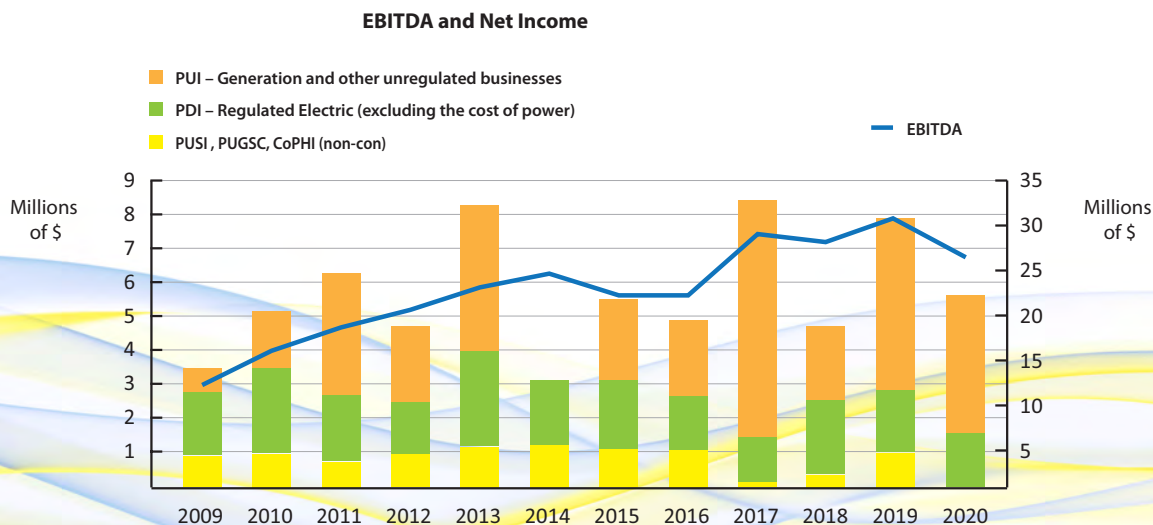
Net Income and EBITDA

Net income for 2020 was \$34.5 million, compared to \$8.0 million in 2019. Income for 2020 was positively impacted by the sale of the distribution business which contributed \$30 million to net income. Comparing income from continuing operations, CoPHI earned \$4.5 million in 2020, a \$1.6 million decrease from the \$6.1 million earned in 2019.

In 2020, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) decreased to \$26.7 million from the record \$31.07 million in 2019. The primary reasons for the decrease are as follows:

- the sale of the distribution business resulted in only seven months' contribution compared to a full year in 2019;
- additional legal, consulting, and other fees relating to the closing of the transaction and the subsequent integration work to transfer required documentation to Hydro One. Transaction costs were not recovered from sale proceeds as directed by the City of Peterborough; and
- the return to more normal generation production levels in 2020 following above average performance at all hydro generation facilities in 2019.

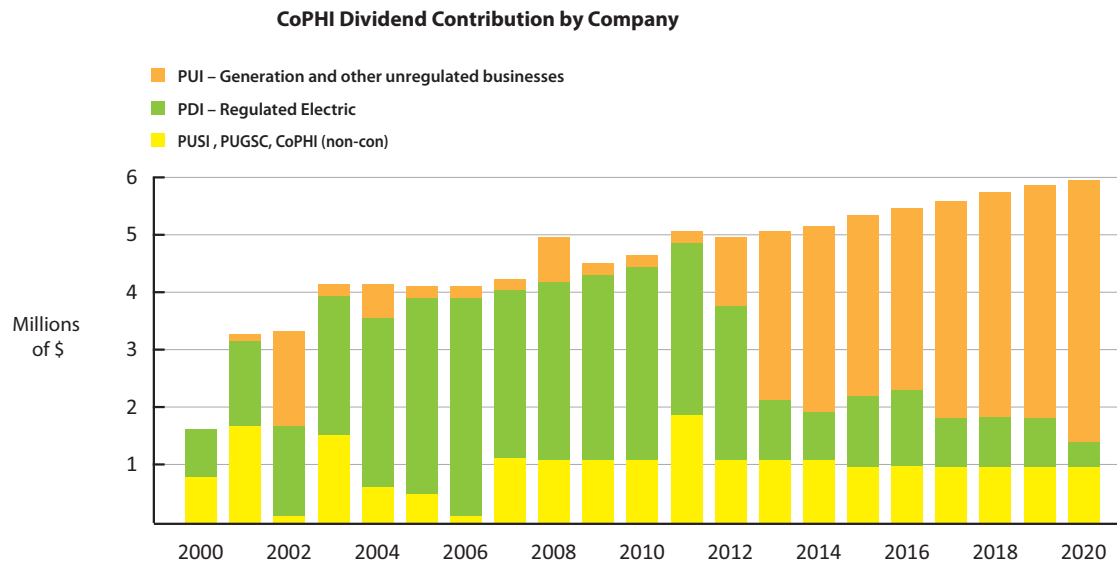
Since 2009, EBITDA has grown 173%, from \$11.37 million to the current \$26.73 million. Management considers EBITDA a strong measure of cash flow performance and our ability to fund future growth and commitments to our capital providers.



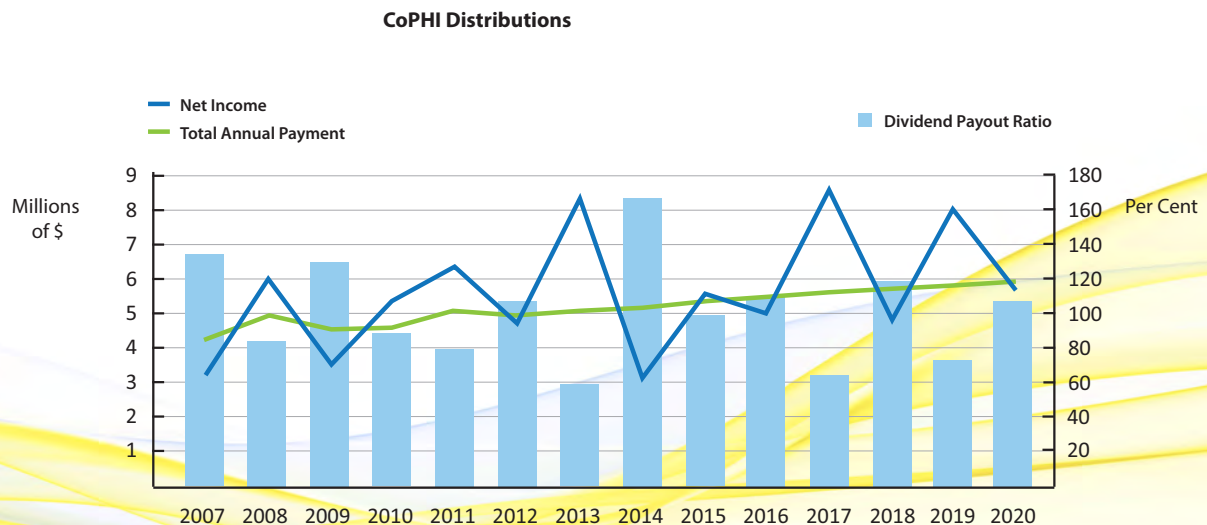
Shareholder Returns

In fiscal 2020, the City of Peterborough received a one-time distribution of \$60.1 million from the sale of PDI, in addition to its regular dividend of \$5.9 million (2019: \$5.8 million).

Since its incorporation in 2000, excluding the one-time distribution noted above, the utility has paid a total of \$96.7 million in distributions (dividends and interest) to the City. The following chart illustrates the dividend contribution by company, excluding the one-time distribution from the PDI sale:

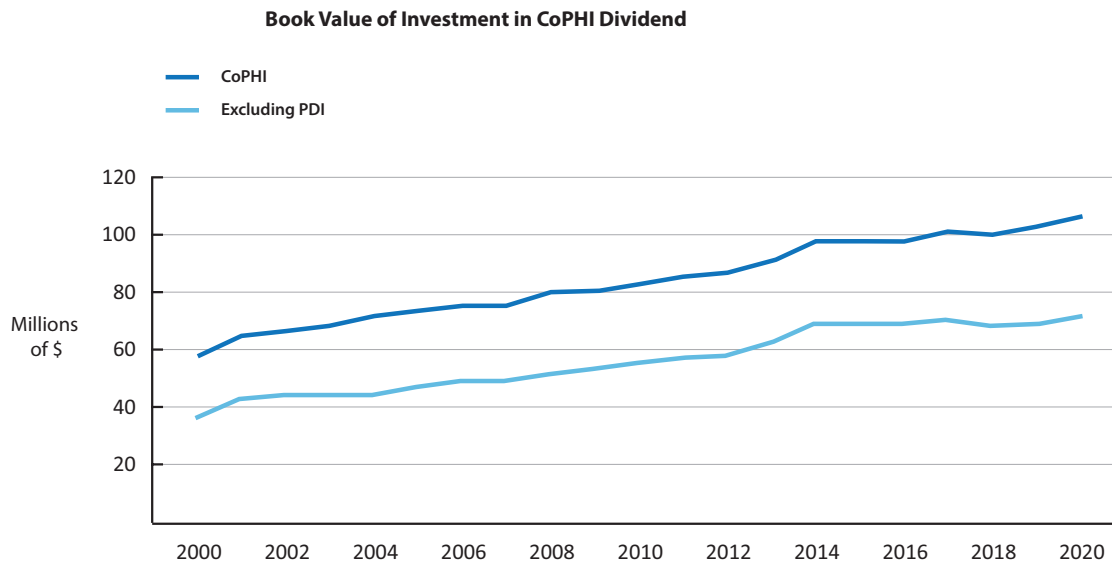


The continued growth in the generation business over this period has provided the necessary funds to facilitate the annual growth in dividend payments. At the same time, the increased reliance on the generation facilities, combined with the sale of the regulated distribution business in 2020, has increased our exposure to changing weather patterns creating greater volatility in net income and cashflows of our business. Our strategy continues to focus on pursuing renewable assets or businesses that help to mitigate that volatility. The variability of earnings versus our fixed annual dividend commitment is illustrated below:



In addition to receiving distributions from CoPHI each year, the City also benefits as the value of its investment in CoPHI increases. Since 2000, the carrying value of the City's total investment in CoPHI increased from approximately \$57 million in 2000 to more than \$103 million in 2019. In 2020, the total value decreased to \$71 million as a result of the sale of the distribution business and the return of that investment value through the cash distributions paid to the City.

For comparative purposes, the chart below includes both the actual value of the CoPHI investment, as well as adjusted values that exclude the value of PDI over the period. This value does not reflect fair market value premiums that may exist if the assets of the company have appreciated beyond their cost.



Since 2009, our investment has allowed City distributions to:

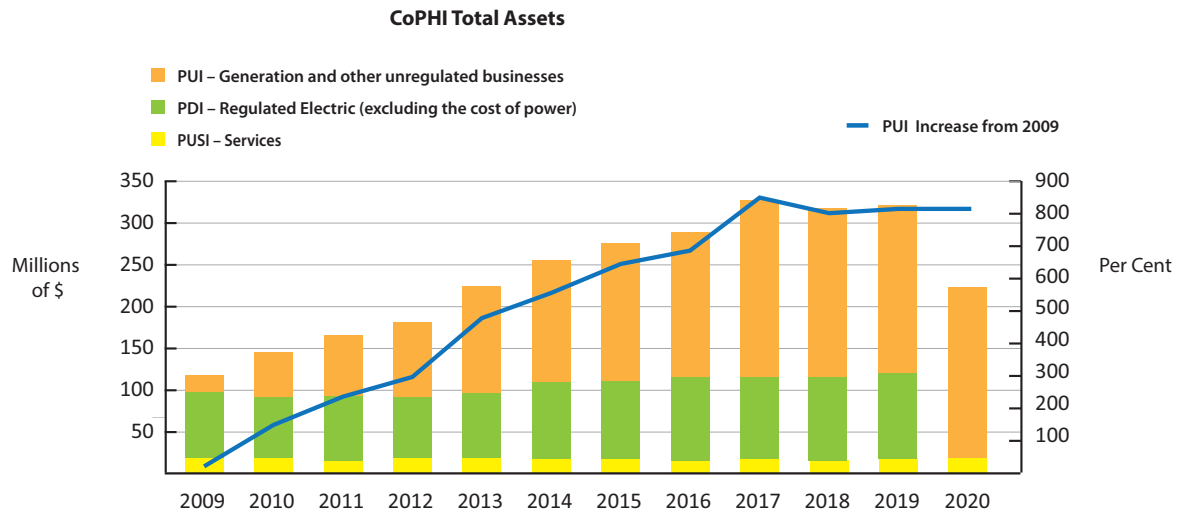
↑ Increase 2.5% every year

= Equal 99% of every dollar earned over 12 years

> Exceed the Company's annual earnings in 6 years

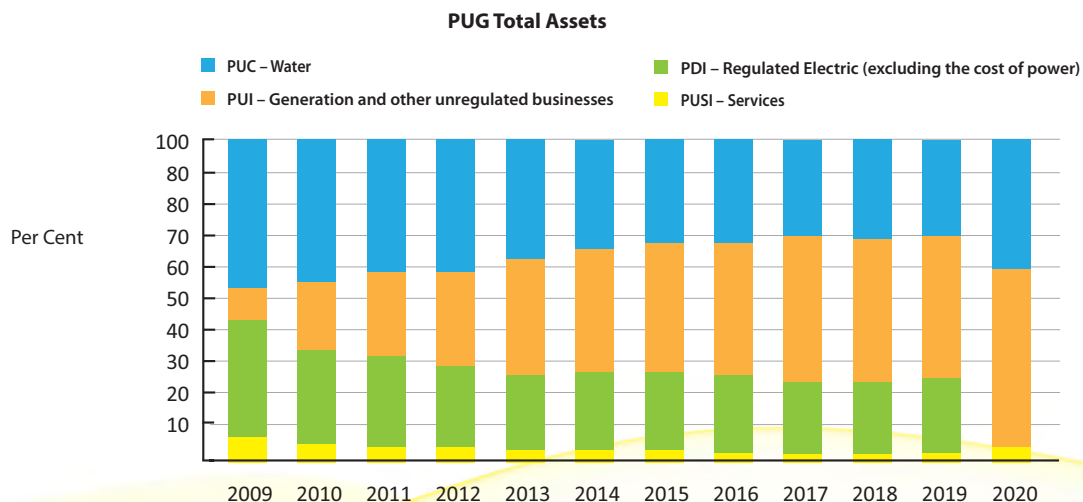
Total Assets

The total assets of CoPHI decreased by \$99 million in 2020 to \$223 million (2019: \$322 million) due to the disposition of the PDI business and the return of that investment to the City. Composition and growth of company assets by principal business segment are illustrated in the chart below.



The chart above also highlights the growth of the assets within the generation and unregulated business. From 2009 to 2020, total assets have grown 816% to a total of \$202 million in 2020 due to our prudent strategic investments. During this period, the focus on the growth of green energy assets has added 19 solar projects with a combined capacity of over 18,000 kW and two biogas facilities as well as continued growth and improvements in hydro assets.

In addition to the direct assets owned by CoPHI, PUG, through its service company PUG Services Corp. (PUGSC), also manages the assets of the Peterborough Utilities Commission (PUC). Assets held by the PUC have increased from \$102 million in 2009 to \$148 million in 2020.



Prior to the sale of the distribution business in 2020, PUG had been decreasing its overall reliance on the regulated electricity business for several years. Similar to the previous chart, this chart shows the explosive growth of the generation business over this period, increasing from 10% of the total assets in 2009, to 44% in 2019, and now comprising 55% of the total assets following the disposition of the PDI business.

2020 Statement of Operations

The following review of the CoPHI 2020 Statement of Operations refers to the continuing operations of the group, including PUI, PUGSC and PUSI. All activities of the distribution company have been segregated as discontinued operations and are excluded from the discussion below.

Revenues

Revenue from continuing operations increased by 2.6%, from \$44.2 million in 2019 to \$45.1 million in 2020. Details concerning the sources of revenue are as follows:

PUI – Total revenues were \$28.5 million (2019: \$29.8 million)

- Generation revenue comprises the majority of the revenues, bringing in \$25 million in 2020 compared to \$26 million in 2019. In 2019, PUI recorded its highest-ever revenues driven by above-average hydro production across all facilities. In 2020, revenues returned to historical averages with total generation 1% above budget. Looking at the portfolio, hydro facilities performed at 104% of budget for the year, while solar and other facilities were 96% of budget.
- Meter service revenue of \$1.6 million was 81% of budget and \$216,000 below 2019 primarily due to the deferral of installation revenue on construction delays associated with the pandemic.

Service Companies

- Total revenues earned by PUSI and PUGSC were \$16.6 million (2019: \$14.4)
- The increase is the result of services provided to Hydro One after the disposition of PDI.

Operations and Administration Expense

The Company's operations and administration expense was \$22.3 million in 2020, an 8% increase from 2019 (\$20.6 million). The majority of the increase is the result of operating expenses from August to December in support of additional service revenues earned from Hydro One. Operating and administrative expenses within PUI were \$350,000 below the prior year at \$7.6 million (2019: \$7.9 million). Savings were realized with the lower meter services operations and the delay in certain discretionary preventative maintenance that was pushed into 2021 due to the pandemic.

Amortization Expense

In 2020, the company's amortization expense for continuing operations of \$10.0 million was \$300,000 lower than in 2019 (\$10.3 million). While amortization charges had been increasing over the previous years as PUI continued to grow its asset base, lower capital expenditures and lack of new generation projects in 2020 resulted in the slight decrease in 2020.

Net Financing Expense and Other Costs

Net financing expense and other costs of \$5.9 million in 2020 increased by \$600,000 from \$5.3 million in 2019. The increase is the result of minor impairment charges and a decrease in interest revenue on cash balances due to lower interest rates in the year.

Discontinued Operations

Total net income from discontinued operations was \$30 million in 2020. Excluding the impact of the gain on the sale of the distribution business, income before tax was \$1.2 million compared with \$2.5 million in 2019. The main difference is the impact of a full year's operations in 2019 compared with only seven months in 2020. Prior to the disposition of the PDI business, net income in the distribution business was \$1.3 million, ahead of both budget and the \$1.1 million earned through July 2019.

Peterborough Utilities Inc. (PUI) – Unregulated Operations

PUI operates three business units: (i) renewable power generation; (ii) metering services; and (iii) equipment rentals. Despite significant challenges faced in 2020 related to the COVID-19 pandemic, PUI was able to safely and reliably continue operation of each of its business units and complete the majority of its planned work in 2020.

Revenue from the unregulated businesses was approximately \$28.5 million, approximately 1% below its budget of \$28.8 million, and a decrease of approximately 4.4% from the previous year's revenue of \$29.8 million.

Generation revenue was marginally above budget with revenue from PUI's hydroelectric and solar generating facilities exceeding target. However, revenue from PUI's two biogas plants was significantly below target in 2020. Both facilities incurred extended outages during the first half of 2020 related to the refurbishment or replacement of the engines. The duration of these outages was longer than scheduled due to the onset of the pandemic.

Revenue from PUI's two retail service businesses was approximately 11% below target as several metering installation projects were deferred last year due to the pandemic.

Operating expenses of \$16.9 million were approximately \$434,000 below budget resulting in PUI's operating income marginally exceeding budget in 2020.

Revenue from our hydroelectric and solar generating facilities exceeded target goals

Campbellford-Seymour Hydroelectric Generating Station



Renewable Generation Assets

PUI owns and operates a fleet of 27 renewable generation facilities: six hydroelectric generating stations, 19 solar facilities and two biogas plants. The aggregate capacity of all generation facilities is 48.6 MW. Production from PUI's fleet of renewable generation facilities was approximately 155 GWh in 2020, in line with the budget. This represents a decrease of approximately 7% from 2019 which featured exceptionally strong hydrological conditions. The clean energy generated by PUI was enough to meet the electricity needs of approximately 16,150 households, slightly fewer than half of the residential customers in Peterborough.

After more than a decade of continuous growth, PUI did not develop or acquire any new renewable generation assets in 2020. The termination of programs that support the development of renewable energy projects, such as the Feed-In-Tariff program by the provincial government in 2018 has curtailed this avenue for new development. However, opportunities for growth remain through acquisitions, partnerships, emerging technologies such as energy storage, and behind-the-meter projects. PUI investigated several such opportunities during 2020 but deferred commitment, pending clarification of shareholder requirements.

In February 2021, the City of Peterborough approved, in principle, investment of up to 50% of the net proceeds from the sale of PDI (approximately \$30 million) for the future growth of PUI's renewable generation business, subject to undertaking changes to the Shareholder Direction to address specific shareholder requirements.

Generation Operation and Maintenance

The COVID-19 pandemic resulted in several significant changes to our approach to the operation and maintenance of our generation facilities. PUI's generation facilities are, for the most part, fully automated and capable of remote operation. Following the onset of COVID-19, PUI undertook remote operation and deferred non-critical maintenance work until new safety protocols were developed. This included establishing specific work teams, safety procedures, reporting locations, and other measures that were ultimately very successful in ensuring the safe and reliable operation of our facilities while preventing the potential spread of COVID-19.

In conjunction with the PDI-Hydro One transaction, PUI completed the migration of its Supervisory Control And Data Acquisition (SCADA) system from PDI's Survalent platform to the Ignition platform. The new platform has better mobile capabilities and more features out of the box at a lower cost. This was a significant undertaking that provides PUI with greater flexibility and adaptability in managing operation of its generation fleet going forward.

Biogas Generation

PUI completed major maintenance activities at its two biogas plants during the first half of 2020. A planned in-frame overhaul of the engine and generator at the Bensfort Road Landfill Gas (LFG) generating station was undertaken between March and June. The work required special safety protocols to be developed to specifically address COVID-19 related issues resulting in an extended 19-week outage of this facility. Approximately seven weeks were attributable to the impacts of the COVID-19 pandemic.

At the Peterborough Wastewater Treatment Plant Combined Heat and Power plant (WWTP CHP), an unplanned failure of the engine occurred in late December 2019, requiring the original engine to be replaced with a new one. Technicians associated with the engine manufacturer came over from Germany and completed this work in March. However, they were required to leave Canada prior to commissioning of the new engine due to COVID-19 travel restrictions. Commissioning of the new engine was successfully completed remotely in the weeks thereafter. The total duration of the outage was approximately 20 weeks with approximately five weeks attributable to the impacts of COVID-19.

Robert G. Lake Hydroelectric Generating Station

Several notable operation and maintenance activities were completed at the Robert G. Lake generating station in 2020. During planned maintenance of the two draft tube gates, staff determined that a support beam for the debris rack had collapsed. To undertake repairs to the debris rack, PUI had to dewater the approximately one-kilometer-long power canal for the first time since the plant's completion in late 2009. After dewatering, PUI opportunistically completed an inspection and several localized repairs to the power canal, as well as repairs on the debris racks, and maintenance on the bypass and draft tube gates.

Throughout 2020, PUI staff had to coordinate operation of the Robert G. Lake Generating Station with Parks Canada Agency (PCA), Public Works & Government Services Canada (PWGSC) and their contractors who were engaged in reconstructing PCA's Dam 23, located adjacent to the intake structure of the Robert G. Lake generating station. This included close coordination of flows and water levels, several periodic forced outages of the generating station, and the construction and removal of a temporary bridge over the power canal. The support of this vital work will ensure the long-term sustainability of these key community infrastructure assets.

In addition, PUI completed the detailed design and initiated the environmental assessment and regulatory approval of proposed hydraulic improvements upstream of the intake structure that will optimize performance and production. This work is planned for 2021.



> 3,000 fish
were relocated to the Otonabee River
during dewatering of the canal

Robert G. Lake Hydroelectric Generating Station



London Street and Campbellford-Seymour Hydroelectric Generating Stations

Notable maintenance activities were also completed at the London Street and Campbellford-Seymour hydroelectric generating stations in 2020. Replacement of the bushings on the distributor rings that control operation of the turbine wicket gates and the installation of a vibration monitoring system for the turbines and generators were completed at Plant #2 of the London Street generating station.

At the Campbellford-Seymour generating station, gearbox repairs were completed, and new gearbox and generator vibration monitoring systems were installed. In addition, a new standby generator with an auto transfer switch were installed that provides backup power to both plants. Each of these projects helps to mitigate the operational risk and improve the performance and reliability of these facilities.

Lily Lake Solar Facility

The 10 MW Lily Lake solar facility comprises approximately 94,230 thin-film amorphous silicon solar modules and 11,440 polycrystalline silicon solar modules. The facility was commissioned in 2011. An aerial infrared scan of the Lily Lake solar farm, as well as PUI's other smaller ground mount and rooftop solar facilities was completed in late 2020. Using this thermal technology, potentially defective solar PV modules can efficiently be identified, and a work plan developed to investigate, repair or replace these modules or their associated electrical cabling. A total of 1,838 modules at the Lily Lake solar facility were identified as potentially defective with approximately 50% repaired or replaced to date. This work will be completed in 2021. PUI's other solar facilities have relatively fewer issues as these facilities are newer.

Continuing our efforts to enhance the sustainability of the Lily Lake Solar Facility, approximately 500 sheep and lambs were raised on the facility grounds between May and October of 2020. In addition, PUI collaborated with a local beekeeper and increased the number of honeybee hives at this solar facility from 10 to 20. Each hive produced about 200 pounds of honey, indicative of a very productive environment. PUI marketed and sold a portion of this honey as "Solar Honey" with all proceeds donated to Riverview Park & Zoo.



London Street Hydroelectric Generating Station

Industry and Market Changes

In 2018, the Provincial government announced the cancellation of 758 renewal generation contracts, including 13 contracts held by PUI: 11 related to 500 kW ground mount solar projects and two pertaining to the development of new hydroelectric projects situated on the Otonabee River in partnership with Curve Lake First Nation. In 2020, PUI finalized all cost recovery agreements with the Independent Electricity System Operator (IESO) and received approximately \$1.6 million in pre-construction development costs from the IESO.

During 2020, the IESO continued its engagement of stakeholders on its market renewal program. The IESO also commenced engagement with stakeholders on Resource Adequacy, an initiative to assess alternative programs to the real-time energy markets and annual capacity auctions that will ensure long-term energy supply within the province. Such alternatives may include programs to procure and provide contracts for new generation facilities and/or the refurbishment or expansion of existing generation facilities, that may provide future opportunities for PUI's growth.

Wholesale Meter Services

PUI is an IESO-registered Meter Service Provider (MSP) that provides wholesale metering services to customers across Ontario including local distribution companies, generators and commercial and industrial market participants. PUI reads, validates and records metering data from over 2,000 meters for the purposes of electricity billing and settlement. We also register and install new metering installations, repair and/or replace metering equipment and audit meter accuracy at customer facilities.

The COVID-19 pandemic resulted in several notable challenges to PUI's metering services business. Following the onset of COVID-19, non-critical field work was deferred until new safety protocols were developed. This entailed preparation of new site-specific safety procedures, including protocols for working with other contractors at customer facilities. For the most part, daily operations were undertaken by staff working remotely, requiring significant IT support to manage the large volume of daily metering data. Despite these challenges, PUI's metering services department was able to safely and reliably carry on with its operations and complete most of its planned work in 2020.

Of note, during 2020, PUI's metering services department assisted in the migration of revenue meters from PDI to Hydro One, remotely completed security upgrades on approximately 400 external customer modems and acquired approximately 300 new metering points from two neighbouring local distribution companies.

Rental Equipment

PUI provides rental hot water tanks and lighting to customers located within Peterborough, Lakefield and Norwood. The customer base and expenses associated with this business unit have been relatively unchanged over the past decade and provide PUI with a stable source of annual revenue. In 2020, in conjunction with the PDI and Hydro One transaction, several management functions associated with this business were successfully transferred from the customer service department to PUI staff.

Water Services

Through the operation of the services company, PUG Services Corp. (PUGSC), we provide full municipal water services for the PUC to City of Peterborough customers. This includes water utility operations and capital asset planning, rehabilitation and replacement; water and wastewater services to the Township of Selwyn to operate both the Village of Lakefield and Woodland Acres systems; and the operation, maintenance and capital upgrades for Riverview Park & Zoo. Currently PUG Services Corp. is in the third year of a five-year contract with the Township of Cavan Monaghan to operate and maintain the water and wastewater system in the Village of Millbrook. Our service excellence is driven by our water expertise and our key strategic partnerships and investments in water research.

The Peterborough, Millbrook, Lakefield and Woodland Acres Drinking Water Systems maintained full accreditation to the Drinking Water Quality Management Standard (DWQMS). The accreditation body, NSF International, conducted an external audit of the DWQMS for all four of the water systems in September 2020, along with an internal audit. The audit report confirmed that all management systems operated by PUGSC are well documented and continue to be effective.

In addition to the external and internal audits, the Ministry of the Environment, Conservation and Parks (MECP) performed inspections throughout 2020 of the Millbrook, Peterborough and Lakefield water treatment plants, and the Woodland Acres distribution system. All water systems achieved a 100% inspection rating.

Our water quality management is state of the art
resulting in 100% compliance with all governing bodies

New bulk water fill station





Peterborough Water Treatment Plant with Water Street Pump House and Dam at top of image

The Water Utility Master Plan continues to be used to assess existing infrastructure and projected future infrastructure requirements in considering growth and potential water needs within the City of Peterborough. This plan includes major components of the water system, including the water treatment plant, pumping stations, water storage facilities and the distribution system. The master plan will provide the Water Utility's guiding principles for the next 15 years.

Capital works, within the Peterborough water system, included approximately 4.4 kilometres of existing water main rehabilitation using cement-mortar lining and 1.2 kilometres of new distribution water mains. Peterborough Utilities Commission installed a new Bulk Water Fill Station at 280 Milroy Drive to replace the existing station located at 1867 Ashburnham Drive.

The Peterborough Water Treatment Plant has continued its partnership with the University of Toronto's Drinking Water Research Group to conduct pilot scale studies. Pilot scale research has played a prominent role in assessing the Otonabee river source water characteristics and evaluating alternative treatment technologies. Our key objectives were to mitigate disinfection by-product (DBP) formation and improve taste and odour, through the reduction of geosmin (GSM) and 2-methylisoborneol (2-MIB), compounds released by algae.

Because of our ongoing commitment to quality,
our water tastes great

2020 Annual Water Quality Report

The Peterborough Water Treatment Plant has partnered with the University of Toronto's Drinking Water Research Group (DWRG) to conduct pilot-scale studies in an effort to optimize production, improve water quality, and investigate next-generation treatment technologies.

A 5000:1 scale-model version of the main treatment facility, the pilot plant includes processes such as coagulation, tapered mixing, flocculation, settling and filtration. In addition to conventional water treatment studies, ozone and advanced oxidation pilot plant applications have been incorporated. The primary objectives using the ozone pilot were to determine if ozone and advanced oxidation will enhance our water quality and provide operational flexibility as an integral component of our multi-barrier approach to water treatment.

Ozone Research Overview

Pilot scale research has played a prominent role in assessing the Otonabee River source water characteristics and evaluating alternative treatment technologies. Our key objectives were to mitigate disinfection by-product (DBP) formation and improve taste and odour, through the reduction of geosmin (GSM) and 2-methylisoborneol (2-MIB), compounds released by algae.

Previous research efforts have included coagulation optimization, UF membranes, biofiltration, enhanced coagulation and chloramination. All treatment technologies investigated provided enhanced water quality and operational performance benefits for our system. However, ozone was the only treatment technology to meet all of the key water quality objectives.

Dual-media filters



Top: Conventional pilot plant



Bottom: Ozone pilot plant



Preliminary ozone pilot studies on settled-water and post-filtration applications were shown to effectively ameliorate regulatory DBPs, including trihalomethanes (THMs) and haloacetic acids (HAAs), in addition to the removal of GSM and 2-MIB. Ozone applied pre-filtration was also shown to improve filter performance, reduce natural organic matter, and decrease our chlorine demand. Post-filtration ozonation was shown to provide an additional benefit of 0.5-log *Cryptosporidium* removal. However, due to capital costs and integration barriers associated with pre and post-filtration applications, alternative application points were investigated.

The addition of ozone as a pre-treatment was investigated in 2020. Ozone pre-coagulation was shown to reduce both THMs and HAAs by 33%. Settled and filtered water turbidity was improved, and the coagulant dose was reduced by 20%. Ozone application pre-coagulation was also shown to eliminate GSM and 2-MIB compounds. Ozone added prior to coagulation has the additional benefit of being applied under plug-flow conditions, allows for full-scale application, and can be placed on-line intermittently or as required. This will provide operational staff with another treatment barrier to optimize water quality and improve process performance.

We continue to invest in leading-edge water research at unparalleled rates

Impacts of Ozone on Peterborough Water Quality

The implementation of ozone will play an integral role as the next generation treatment alternative for the City of Peterborough's Otonabee river source water.

Ozone will provide enhanced water quality through the reduction of regulated DBP compounds, including both THMs and HAAs. Ozone will also optimize our coagulant use, improve settled water turbidity, enhance biofiltration capabilities, reduce chlorine demand, and provide an additional barrier against microbial pathogens. Ozone has also been shown to eliminate taste and odour compounds, GSM and 2-MIB. These compounds impart an earthy-musty odour that is the primary water quality complaint from the citizens of Peterborough.

Ozone will also play a key role in future applications and treatment challenges. Previous studies have shown the effectiveness of ozone in the reduction of pharmaceuticals, endocrine disrupting compounds, and cyanotoxins. Impacts on water quality from global warming, including the potential increase of blue-green algae, can also be effectively handled through ozone as a component of our multi-barrier approach.

Granular Activated Carbon (GAC) Media

The installation of GAC media caps was completed in May, 2020, in an effort to enhance our water quality and improve aesthetics for our consumers. Pilot-scale studies in 2019 had shown the benefits of GAC as a cost-effective short-term solution to mitigate DBP formation and taste and odour compounds, GSM and 2-MIB.

The GAC caps implemented at full-scale resulted in a 10% decrease in natural organic matter (NOM) in our plant effluent, from 0.046 cm⁻¹ to 0.041 cm⁻¹. The decrease in NOM corresponded to a decreased chlorine demand, requiring chlorine doses of 3.37 mg/L compared to 3.58 mg/L in previous years. Plant effluent THM concentration were reduced 10% from 51 to 46 mM, however, HAA concentrations were not affected by GAC caps.

Taste and odour compounds GSM and 2-MIB were reduced by 50% and 30% respectively in the filters that had GAC caps installed. The reduction in full-scale plant effluent GSM and 2-MIB below the taste and odour threshold of 9 ppb resulted in a 50% reduction in customer complaint calls in 2020 compared to the previous decade.



Riverview Park & Zoo

In 2020, Riverview Park & Zoo operations were severely impacted by the COVID-19 pandemic. The Park & Zoo was open and operating during regular hours (8:30 AM – dusk) from Jan. 1 to Mar. 13, 2020, after which the Park & Zoo closed as a precautionary measure. Most areas and facilities remained closed for the year and the majority of our facility bookings, education programs, special events, etc. were cancelled.

In spite of restrictions and supply issues associated with the pandemic, progress was made on ongoing improvements to the facilities and equipment in 2020.

Park & Zoo Operations and Facilities

As noted above, most of the Park & Zoo's areas and facilities were closed for the majority of 2020. The miniature train ride was closed for the year. The zoo area was closed from Mar. 13 until year-end, except for escorted private tours that were offered to local residents from mid-August through to Thanksgiving weekend. The Snack Bar, gift shop and splash pad were closed for the year. The park grounds and pathways were open for walk-through access and the disc golf course and playground both opened for limited use starting in May.

Work completed under the 2020 capital program included numerous improvements to the cat exhibit building and holdings, new gardens and landscaping in front of the exhibit, rehabilitation of the chimneys on the Dobbin Building, new lockers at the splash pad, and construction of a new Signal Tower for the miniature train ride. Other improvements to the animal exhibits and holdings included a new compound at the camel exhibit and a new pond at the barnyard.

Zoo's Animal Collection

The zoo's animal collection saw many changes in 2020 with the deaths of some of our older animals as well as new acquisitions. Deaths included our bobcat, a domestic yak, a slender-tailed meerkat, a reindeer, and the passing of our last black and white ruffed lemur. Other changes included the acquisition of a few small animals from Cherry Brook Zoo in St. John NB (which was forced to close due to the pandemic), obtaining two new macaws, and the successful hatching of a Sulawesi forest turtle.

As of Dec. 31, 2020, the animal collection on site consisted of 140 animals, representing a total of 58 species (excluding groups of fish and invertebrates). The collection had 33 animals in on loan and 12 animals out on loan.





Education

Much of the education program planned for March to December 2020 had to be cancelled due to the impact of COVID-19. This included public speaking engagements, “behind-the-scenes” tours, the parent & tot “Zoo Crew” program, our “Zoo Academy” and “Zoo Trek” half-day curriculum-based day sessions as well as the animal placement program developed in support of the project pilot of the Pathway to Stewardship and Kinship regional education initiative.

It was possible to modify some of our programs for remote or virtual delivery. This included a major adaptation of the Bondar Challenge program, a unique experiential program that helps children make a connection to nature through the art of photography. This program was successfully delivered with our participants winning 1st, 2nd and 3rd place in the Ruby Summer Camp National Award category.

Other programming included virtual “Zoo Crew” and virtual “Zoo Trek” tours and invasive species workshops. We were able to reach over 1,500 students through direct in-person or virtual programs in 2020. A focus on our social media, resources for our new website YouTube channel as mediums for educational programming allowed us to connect to the community through a “Bringing the Zoo to You” Campaign. This included live events and recorded videos available to our 21,479 followers, a 21% increase over 2019 (4,407 Twitter, 12,373 Facebook, 4,699 Instagram).

This programming was made possible through the support of 63 active volunteers in 2020 who supported education programs and guided tours, created virtual program resources at home, participated in litter pick-up and invasive species removal day-events and helped with our pilot honey sale and curbside pick-up. These volunteers contributed over 400 hours in-kind.

In addition, we hosted five post-secondary placement students from Conservation Biology, Travel and Tourism and Education Programs that provided over 500 hours of research, resource development and ethogram observations in 2020.

Our Young Canada Works Heritage grant for Public Education student positions was increased from \$10,000 to \$23,000. Canada Summer Jobs awarded a \$3,500 grant for the Guest Services Position.



Conservation

Last year the Park & Zoo's conservation program included our ongoing support of the Ontario Turtle Conservation Centre's conservation work by donating heat lamp bulbs, turtle feed (smelt) and equipment.

In January, Park & Zoo staff attended Otonabee Conservation's annual general meeting and were happy to accept (on behalf of the Park & Zoo) their Conservation Partnership Award. This award recognized the Park & Zoo's partnership with Otonabee Conservation, jointly delivering many conservation programs and connecting people to nature. These activities included the Roberta Bondar Photography challenge, the seasonal conservation exhibit, yellow fish road (storm water education and awareness) as well as shoreline restoration projects.

The Park & Zoo also participated in the Association of Zoos and Aquariums (AZA) Stud Book for red-necked wallaby, Sichuan takin and bobcat. We also participated in the African red-billed hornbill, slender-tailed meerkat and common squirrel monkey AZA Species Survival Plans, as well as the Emu and Brazilian agouti Population Management Plans.

Research

In 2020, the Park & Zoo participated in the Ontario Turtle Conservation Centre's Blanding's Turtle research project as well as hosting research projects by university biology and conservation biology students.

Special Events

Unfortunately, all of the special events planned for 2020 had to be cancelled. This included the Peterborough Children's Water Festival and the Summer Concert Series. Although the on-site version of the 11th Annual Riverview Park & Zoo Fun Run was canceled, a virtual run was promoted with runners running on their own time and at individual locations. The virtual run had 43 participants and approximately \$3,800 was raised.

Our Volunteer Community

The Zoo's success continues to be driven by the strength of our volunteer community, supporting us in all aspects of our operations. Through special events and our education programs and direct financial support the Zoo is a wonderful place for all to visit. Thank you to all our volunteers who have contributed to our success!



Baker Tilly KDN LLP
272 Charlotte Street
Peterborough, ON
Canada K9J 2V4

D: 705.742-3418
F: 705.742-9775

www.bakertilly.ca

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholder of City of Peterborough Holdings Inc.

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2020 and the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended are derived from the audited consolidated financial statements of City of Peterborough Holdings Inc. for the year ended December 31, 2020.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited financial statements, in accordance with International Financial Reporting Standards.

The Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated April 1, 2021.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
August 12, 2021

ASSURANCE • TAX • ADVISORY

Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

Peterborough

Courtice

Lindsay

Cobourg

Consolidated Statement of Financial Position

As at December 31, 2020
(\$s in thousands)

	2020 \$	2019 \$
ASSETS		
Current assets		
Cash	25,073	23,976
Restricted cash	6,844	5,741
Client funds held for service delivery	2,749	-
Accounts receivable	4,336	4,410
Unbilled revenue	106	274
Inventories	2,012	1,671
Prepaid expenses	560	401
Income taxes receivable	802	359
Transaction funds held in escrow	6,193	-
Assets held by discontinued operations	-	105,162
	48,675	141,994
Other assets		
Intangible assets	3,430	3,687
Property, plant and equipment	160,943	167,509
Right of use assets	5,205	5,490
Deferred tax assets	4,488	3,596
	174,066	180,282
	222,741	322,276
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	5,099	4,640
Restricted accounts payable	2,749	-
Current portion of long-term debt	6,587	6,363
Current portion of lease obligations	234	214
Income taxes payable	280	172
Due to Hydro One Inc.	1,984	-
Liabilities held by discontinued operations	-	69,210
	16,933	80,599
Long-term liabilities		
Provisions	857	816
Employee future liabilities	6,121	5,700
Lease obligations	5,383	5,564
Deferred tax liabilities	17,963	15,196
Long-term debt	104,251	110,838
	134,575	138,114
Shareholder's equity		
Share capital	37,081	60,098
Accumulated other comprehensive loss	(2,309)	(1,496)
Retained earnings	36,461	44,961
	71,233	103,563
	222,741	322,276

Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2020
(\$s in thousands)

	2020	2019
	\$	\$
Revenue	45,085	44,183
Expenses		
Operations and administration	22,255	20,557
Amortization	10,050	10,344
	32,305	30,901
Income from operations	12,780	13,282
Other expense		
Net finance charges	5,345	5,092
Loss on impairment of property, plant and equipment	366	-
Loss on disposal of property, plant and equipment	172	176
	5,883	5,268
Income before integration costs of discontinued operations, income taxes	6,897	8,014
Integration costs of discontinued operations	(841)	-
Income before income taxes and discontinued operations	6,056	8,014
Provision for income taxes		
Current	(608)	(122)
Deferred	2,168	2,004
	1,560	1,882
Income from continuing operations, after tax	4,496	6,132
Income from discontinued operations, after tax	30,022	1,865
Net income for the year	34,518	7,997
Other comprehensive income		
Items that will not be reclassified subsequently to net income		
Employee benefit plan actuarial losses	(417)	-
Related deferred tax	108	-
Other comprehensive income from discontinued operations, net of tax	(504)	55
Other comprehensive income for the year	(813)	55
Total comprehensive income for the year	33,705	8,052

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020
(\$s in thousands)

	Share Capital \$	Retained Earnings \$	Accumulated Other Comprehensive Income (Loss) \$	Total Equity \$
Balance, January 1, 2019	60,098	42,751	(1,551)	101,298
Net income for the year	-	7,997	-	7,997
Dividends paid	-	(5,787)	-	(5,787)
Other comprehensive income from discontinued operations, net of tax	-	-	55	55
Balance, December 31, 2019	60,098	44,961	(1,496)	103,563
Balance, January 1, 2020	60,098	44,961	(1,496)	103,563
Net income for the year	-	34,518	-	34,518
Redemption of share capital	(23,017)	-	-	(23,017)
Change in value of employee future liabilities, net of tax	-	-	(309)	(309)
Dividends paid	-	(43,018)	-	(43,018)
Other comprehensive income from discontinued operations, net of tax	-	-	(504)	(504)
Balance, December 31, 2020	37,081	36,461	(2,309)	71,233

Consolidated Statement of Cash Flows

For the year ended December 31, 2020
(\$s in thousands)

	2020 \$	2019 \$
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Income from continuing operations	4,496	6,132
Adjustments for:		
Amortization	10,050	10,344
Deferred income tax	2,168	2,004
Current income tax	(608)	(122)
Net finance costs	5,345	5,092
Loss on impairment of property, plant and equipment	366	-
Loss on disposal of property, plant and equipment	277	176
	22,094	23,626
Change in non-cash working capital items	183	(1,550)
Taxes paid	(117)	61
Interest received	339	666
Increase in employee future liabilities	4	97
Cashflows from operating activities of discontinued operations	14,836	11,239
	37,339	34,139
Investing activities		
Purchase of property, plant and equipment	(3,275)	(7,425)
Transfers from/(to) restricted cash account	(1,103)	5,617
Cashflows from/(used in) investing activities of discontinued operations	81,526	(6,154)
	77,148	(7,962)
Financing activities		
Repayment of long-term debt	(6,455)	(6,244)
Principal portion of lease payments	(436)	(272)
Interest paid	(5,284)	(5,512)
Net proceeds receivable from City of Peterborough	(6,193)	-
Redemption of share capital	(23,017)	-
Dividends paid	(43,018)	(5,787)
Cashflows used in financing activities of discontinued operations	(32,826)	(4,247)
	(117,229)	(22,062)
Net increase (decrease) in cash	(2,742)	4,115
Cash and cash equivalents, beginning of year – continuing operations	23,976	19,899
Cash and cash equivalents, beginning of year – discontinued operations	3,839	3,801
Cash and cash equivalents – beginning of year	27,815	23,700
Cash and cash equivalents, end of year – continuing operations	25,073	23,976
Cash and cash equivalents, end of year – discontinued operations	-	3,839
Cash and cash equivalents – end of year	25,073	27,815

2020 Board of Directors

We are very proud of CoPHI's track record of success, both financially and in serving our customers and community. In 2020, financial performance and our total contribution to the community remained strong despite the challenges facing all during the year.

We continue to focus on creating value for our shareholder and customers, and we believe that starts with good governance and risk management. As a Board and through our Board Committees, we have emphasized attention to risk, safety, and our employees, as cornerstones to everything that we do.

Thank you to David Bignell, Scott Baker, Dave Paterson and Bryan Weir who retired from the Board in 2020.



*Nancy Brown
Anderson, Chair*



*David Bignell,
Vice-Chair*



*Mayor
Diane Therrien*



Scott Baker



Arlynn Dupuis



Ross Garland



Louise Lalonde



Louis O'Brien



Dave Paterson



Keith Riel



Bryan Weir

Executive Team



*John Stephenson
President &
Chief Executive
Officer*



*Kyle Davis
Chief Financial
Officer*



*Patrick Devlin
Vice-President
Water Services*



*Mike Ploc
Vice-President
Electric Services*



*David Whitehouse
Vice-President
Customer &
Corporate Services*



*John Wynsma
Vice-President
Generation
& Retail Services*



*Carrissa McCaw
Director
Human Resources
& Safety*



*Carrie Rucska
Director
Information
Technology*

2020 Directors by Board and Committee

CITY OF PETERBOROUGH HOLDINGS INC.

Nancy Brown Andison, Chair
Dave Bignell,* Vice-Chair
Scott Baker*
Louise Lalonde
Mayor Diane Therrien
Councillor Keith Riel
Dave Paterson*
Arlynn Dupuis
Ross Garland
Louis O'Brien

PETERBOROUGH DISTRIBUTION INC.

Dave Paterson,* Chair
Bryan Weir,** Vice-Chair
Arlynn Dupuis

PETERBOROUGH UTILITIES INC.

Scott Baker,* Chair
Dave Bignell,* Vice-Chair
Nancy Brown Andison

PETERBOROUGH UTILITIES SERVICES INC./ PUG SERVICES CORP.

Ross Garland, Chair
Scott Baker,* Vice-Chair
Dave Bignell*
Nancy Brown Andison

AUDIT COMMITTEE

Louise Lalonde, Chair
Councillor Keith Riel
Arlynn Dupuis
Ross Garland
Louis O'Brien

GOVERNANCE & NOMINATING COMMITTEE

Arlynn Dupuis, Chair
Nancy Brown Andison
Dave Bignell*
Mayor Diane Therrien

HUMAN RESOURCES COMPENSATION COMMITTEE

Dave Paterson,* Chair
Nancy Brown Andison
Ross Garland
Arlynn Dupuis
Dave Bignell*

** Retired from the Board Dec. 31, 2020*

*** Retired from the Board Aug. 1, 2020*



1867 Ashburnham Dr.
P. O. Box 4125
Station Main
Peterborough, Ontario
K9J 6Z5

General Inquiries

705-748-9300

**Account Information
and Customer Service**

705-748-6900

peterboroughutilities.ca