



# Geosands and Its Affiliates 2019 AGM

August, 2020



# Agenda



- Changes to the Organization.
- Intercompany financing arrangements
- Unlocking External Borrowing Capabilities
- Asset Protection – Long term planning & 2019 Asset Installation
- Preparing for the Future
- System Performance
- Rate comparisons
- COVID -19 changes
- Financial Health
- Auditors Statement
- Strategic Planning
- Value to the Shareholder and Community.



# Geosands AGM

## Changes to the Organization

- ▶ 2019 was a year of significant changes for the leadership in the Organization
- ▶ A new CEO (Keith McAllister) was hired to lead the company into the future.
- ▶ Seven new Board of Directors (BOD) were appointed:
  - ▶ *Trent Gow* – Geosands BOD
  - ▶ Brian Kirkwood – Geosands BOD
  - ▶ Neil Hamilton – Geosands BOD
  - ▶ Cal Patterson – Wasaga Distribution BOD
  - ▶ Morley Bercovitch – Wasaga Distribution BOD
  - ▶ Ron Anderson – Wasaga Resource Services BOD
  - ▶ Jason Karklins – Wasaga Resource Services BOD



# Geosands AGM

## Intercompany Financing Arrangements

- ▶ Changes were made to the Intercompany Financing Arrangement to be compliant with all regulations including the Affiliate Relationship Code.
- ▶ These changes resulted in a detailed allocation method of all overheads to the appropriate accounts including project costing allocations.
- ▶ Over time these changes will have the result of driving the value of the organization higher and more in line with other Local Distribution Companies (LDC's).



# Geosands AGM

## Unlocking External Borrowing Capabilities

- ▶ As each of the subsidiary companies to Geosands prepares to grow, the availability to acquire cash from external borrowers was required.
- ▶ Wasaga Distribution (WDI) engaged a number of financial institutions to obtain the best possible borrowing arrangements possible.
- ▶ Early in 2020, an agreement was finalized that will provide WDI with up to \$13 million dollars of borrowing capabilities.
- ▶ Loans will only be made when and if needed to manage the growing capital programs.



# Geosands AGM

## Asset Protection – Long Term Planning and 2019 Asset installations

- ▶ Long term planning is critical to ensure that the assets that deliver the power to our customers are in good shape and not prone to failure.
- ▶ Proper planning will balance the replacement program with long term cost to our customers (distribution rates).
- ▶ Over the last few years, a large portion of the capital funding has been directed to the expansion of our customer base (new subdivisions) but going forward, the funding must include the replacement of aged infrastructure.
- ▶ The 2019 program provided new servicing to 437 new residential lots, the replacement of approximately 100 aged and failing poles and over 35 distribution transformers.





# Geosands AGM

## Preparing for the Future

- ▶ Wasaga Beach's overhead system is getting quite old with over 56% of its' poles past the average useful life of a typical pole. The future capital plans have been adjusted to increase the replacement programs while at the same time continue to work with developers to connect the new infrastructure that they are installing. This level of work will require additional engineering designers and field crews.
- ▶ There is a high percentage of staff that are nearing retirement in the next 5 years. The company has put in place a succession plan to ensure that there is sufficient internal talent in the organization to carry on business as individuals retire over the coming years.

# Geosands AGM

## System Performance

Actual  
effect on  
Customer  
↓

WDI's  
System  
↓

SAIDI – System Average  
Interruption Duration Index  
SAIFI – System Average  
Interruption Frequency Index

Wasaga Beach

Orillia Power Distribution

EPCOR

InnPower

Hydro One

Veridian

Alectra

	2018		2019	
	Total Outages	Loss of Supply Adjusted	Total Outages	Loss of Supply Adjusted
SAIDI	3.86	1.85	4.76	3.03
SAIFI	2.61	1.36	2.17	0.95
SAIDI	2.00	1.43		
SAIFI	3.45	1.50		
SAIDI	1.93	0.50		
SAIFI	1.83	0.20		
SAIDI	5.16	4.78		
SAIFI	1.34	1.26		
SAIDI	22.93	21.18		
SAIFI	4.30	3.42		
SAIDI	6.38	4.55		
SAIFI	2.80	1.69		
SAIDI	1.95	1.73		
SAIFI	1.83	1.61		

Improvement

WDI had a major outage that was caused by a vehicle damaging a major supply pole. This single outage caused extensive damage to hundreds of meters on our customer's homes and the recovery took all night to get the system back to normal.



# Geosands AGM

## Rate Comparison

	2018	2019
	Average Distribution Revenue per Customer Annually	Average Distribution Revenue per Customer Annually
Wasaga Beach	\$311.76	\$316.15
Orillia Power Distribution	\$608.29	
EPCOR	\$421.13	
InnPower	\$595.82	
Hydro One	\$1,062.20	
Veridian	\$450.38	
Alectra	\$538.94	

WDI had the **Third LOWEST** Distribution Rates in the Province in 2018 and it is expected that our ranking will not change in 2019

The Delivery Line on your bill includes more than just the cost of what is collected to support all the infrastructure for your local utility.

# Geosands AGM

## Effects of COVID-19 on the Business

COVID -19 has had a profound effect on everyone world wide. Ontario's Electrical Sector adapted to the ever changing demands.

Businesses closed down (either temporarily or permanently), people were laid off or were terminated, many workers moved their offices to home.

The LDC's recognized the challenges that our customers were facing and worked closely with government to provide solutions to those in need.

- ▶ Needed to close our front doors temporarily to protect our customers and workers.
- ▶ Agreed to not cut customers off for non payment until at least July 31.
- ▶ Agreed to help those in need with additional financial repayment agreements that weren't possible before.
- ▶ Helped the Province deliver a COVID-19 Energy Assistance Program (CEAP) to help those effected by loss of employment due to COVID -19
- ▶ Implemented the Governments flat rate cost of energy at 10.1 cents/kWh from April 1 to May 31, 2020. This changed to 12.8 cents/kWh effective June 1 until November 1, 2020
- ▶ Preparing to offer customers a choice between TOU and Tiered rate billing in the near future.

# Geosands AGM

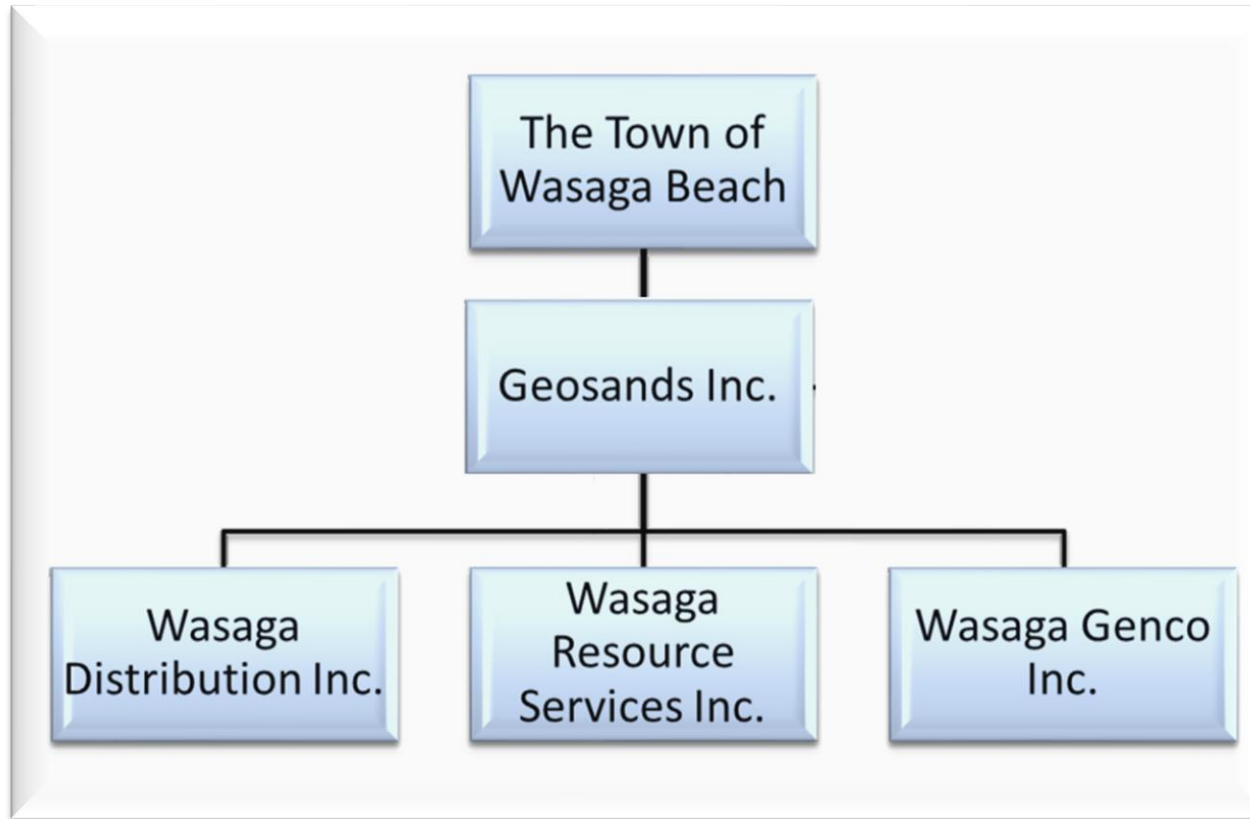
## Financial Health and Utility Performance

- Liquidity Ratio 2.97
- Leverage Ratio (Debt to Equity): 0.65
- Return on Equity (Profitability): 5.3%
- Shareholders Equity: \$16.95M
- Efficiency Assessment Rating for LDC's Rating 1 (only 6 of 63 utilities are in this category!)
- Met or exceeded all of the OEB's Service Quality and Customer Satisfaction targets
- Passed all audits from the Electrical Safety Association.

# **GEOSANDS INC.**

Audit of 2019 Consolidated Financial Statements

# Organizational Structure



- Hydro Distribution
- Regulated by Ontario Energy Board (OEB)

- Administrative Services to WDI
- Construction of hydro infrastructure

- Inactive since incorporation

# Audit Results

- Unqualified audit opinion – financial statements are free from material misstatement for all three audits – Geosands, WDI and WRSI
- Audit report date of April 23, 2020 for all subsidiary companies, as well as Geosands consolidated statements – date of approval by Board of Directors of each company
- Change in governance structure – presented to audit committee in detail, then to Board of Directors
- “No issues” management letter presented to all entities – strong system of controls remains in place



# Consolidated Statement of Comprehensive Income

	2019	2018
	\$	\$
Revenue	20,995,530	19,596,465
Cost of Power	15,895,035	14,602,670
Operating expenses	4,625,620	3,783,694
Movement on regulatory deferral accounts	761,638	182,262
Net income	879,653	925,772

## Revenue

- Sale of power \$15,053,258 (2018 - \$14,456,798)
- Distribution services \$4,376,000 (2018 - \$4,346,092)
- Construction \$980,017 (2018 - \$211,603)

# Consolidated Balance Sheet

	2019	2018
	\$	\$
Property, plant and equipment	<b>17,154,510</b>	15,170,824
Note payable to the Town of Wasaga Beach	<b>3,593,269</b>	3,593,269
Shareholder's equity	<b>16,953,628</b>	16,421,976

- Acquisition of property, plant and equipment \$2,808,771 (2018 - \$1,242,392)
- Interest on note receivable \$135,826 (2018 - \$135,826)
- Dividends \$366,000 (2018 - \$400,000)
- Increase in shareholder's equity \$531,653 (2018 - \$525,772)



# Geosands AGM

## Strategic Planning

- ▶ The company is currently completing a 5 year strategic plan. This plan will define the future goals and objectives for the Corporation
- ▶ The process includes engagement opportunities with all of the Distribution companies stakeholders which included over 800 pieces of input from the residential and commercial customers.
- ▶ This project is expected to be completed mid-year of 2020 and will drive the work programs for 2021 and beyond.
- ▶ The results of this process will be shared with everyone. Keep a watch on our website for the final document.

# Geosands AGM

## Value to the Shareholder and Community

- In 2019 returned \$500k to the shareholder through dividends (\$366k) and interest (\$134k).
- **Last week, the Corporation declared a \$390K dividend based on 2019 results. A further \$134K in interest will be paid before year end bring a total payment to the shareholder of \$524K**
- Since the companies were incorporated in 2000 and to the end of 2019, Geosands has paid \$3,356,831.90 in interest and \$3,166,000.00 in dividends to the Town of Wasaga Beach.
- The company has and will maintain one of the lowest costs in the province to deliver power to its customers.
- The Capital enhancement programs planned will maintain and improve system performance while at the same time increase the net worth of the company over time.
- The staff continue to work hard to deliver the service and reliability that you have come to expect from the organization.



QUESTIONS?