

# Growing Together

Strategic Plan 2021 – 2026



**Geosands Inc.**

Wasaga Distribution Inc. Wasaga Resource Services Inc.

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## A Message from Our President

On behalf of Geosands Inc., we are pleased to present our new strategic plan. *Growing Together* sets out a path for the growth and prosperity of Geosands and its subsidiaries. To ensure we are *Growing Together*, we consulted with more than 800 people across the spectrum of our stakeholders and our community. We consulted Members of Council, our experienced Boards of Directors, and our dedicated frontline staff. We listened to residents, business owners, and our valued customers. We heard from hundreds of residents who have lived in Wasaga Beach for over 20 years, and many seasonal residents shared unique insights and ideas from their experiences living across Canada. We are proud to be locally owned and operated in the Town of Wasaga Beach, and over the next three to five years, we will be *Growing Together*.

Geosands and Wasaga Distribution Inc. have earned a reputation in Wasaga Beach for reliability, quality of service, and customer support. You told us that this reputation is at the centre of what you expect from Geosands. As we focus on the future, you want us to ensure that any investments we make today, tomorrow, or hereafter do not compromise these qualities. Your feedback reaffirmed Geosands' important role in our community, and we are committed to pursuing excellence in product and service delivery.

Over the next three to five years, we will be focusing on growing our organization in a way that meets the needs the needs of our community now and in the future. The Town of Wasaga Beach is growing every year, and you told us that Geosands and Wasaga Distribution need to be a forefront of this growth. That is why we are taking the steps

now to prepare our organization to grow, ensuring we have the right skill sets, leadership, talent, and resources to grow along with our community. You also expect us to be focused on environmental sustainability, and just like in our mission, we are committed to our environmental responsibilities. We heard very clearly that you want to hear from us, including as a principal source for trends, customer support, products, and services to help reduce your energy bills. We also heard that our communications should be timely and relevant, leveraging digital channels to connect with our customers and stakeholders in the most accessible way possible. We do not take our relationship with the community for granted and we will be taking steps to connect and convene our community in support of a common vision of a prosperous, sustainable, and growing community and energy system.

In addition to your feedback, we also based our strategic plan on an understanding of our rapidly evolving external environment. We considered the dynamic policy and regulatory environment that Geosands and its subsidiaries operate within, opportunities to invest in innovative technologies shaping the energy sector, and leading best practices across Ontario utilities. More details can be found in *Appendix A: The Context* and *Appendix B: Comparator Analysis and Leading Best Practices*. At the time of writing, we are in the midst of the global COVID-19 pandemic. For this plan to be successful, it must not only consider the current and future context, but also how the pandemic may impact Geosands' operating environment. The pandemic highlights the importance of Geosands being prepared for change and ensuring that we are in a position to take advantage of any opportunities that may not have existed in a pre-COVID-19 environment.

Over the next three to five years, we will be *Growing Together*, and do everything we can to realize Geosands' vision to sustainably grow our population, the community, the Town of Wasaga Beach, and Ontario's energy system. We look forward to working with you to deliver this plan.

A handwritten signature in dark ink, reading "Keith McAllister". The signature is written in a cursive, flowing style.

*President, Geosands Inc.*

## About Geosands Inc. and its subsidiaries

Geosands Inc. (“Geosands”) is a holding company that owns Wasaga Resource Services Inc. (“WRSI”) and Wasaga Distribution Inc. (“WDI”). Wasaga Distribution Inc. delivers electricity to homes and businesses within the Town of Wasaga Beach under a Distribution License issued by the Ontario Energy Board. The group of companies is owned by the Town of Wasaga Beach as the sole shareholder. Wasaga Resource Services Inc. provides a variety of management and administrative services to WDI, with a principal mandate to actively engage in commercial services in the marketplace. WDI’s assets include poles, wires, transformers, substations, etc. Other resources, including vehicles, tools, billing systems, and administrative equipment are owned by WRSI, and all staff are employed by WRSI.

Geosands and its subsidiaries serve approximately 14,000 customers in the Town of Wasaga Beach with electricity. The distribution service area within the Town of Wasaga Beach is bounded by the Township of Tiny to the north east, the Township of Springwater to the east, the Township of Clearview to the south and the Town of Collingwood to the west. Within an area of 61 square kilometers, the companies manage 235 kilometers of conductor, both overhead and underground. The system also has more than 1,400 distribution transformers, and nearly 5,000 poles in service, fed from five owned, and one shared, distribution stations.



### Core Business

Geosands’ core business is to deliver electricity within the Town of Wasaga Beach community in a manner that meets the expectations of customers and other stakeholders, with regards to:

- Quality of services;
- Safety and reliability;
- Operational excellence;
- Financial performance; and
- Responsiveness to its public and policy mandates.

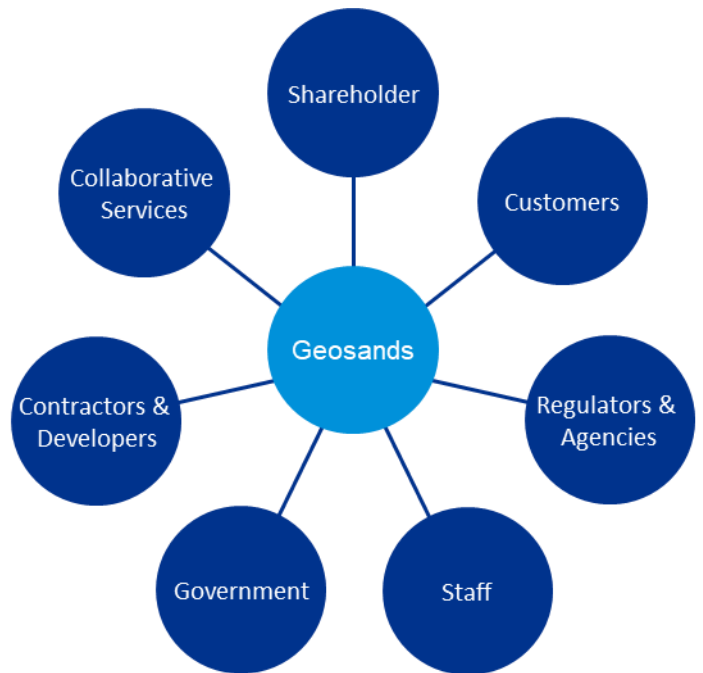
This core business is conducted in an environment characterized by technological innovation, dynamic public policy and regulatory models, and changing customer expectations.

### Key Stakeholders

Geosands Inc. serves and is served by a diverse stakeholder community. In this case, a stakeholder is any individual or entity that has a stake in the success of the organization. Primary stakeholders have a direct interest in this organization, as opposed to an indirect interest.

Geosands’ primary stakeholders include:

- The Shareholder – the Town of Wasaga Beach;
- Residential and Commercial Customers;
- Regulators & Agencies;
- Staff;
- Government;
- Contractors & Developers; and
- Collaborative Services.



The Town of Wasaga Beach Council previously considered selling the local distribution company, but in 2017 Town Council voted unanimously to retain WDI and focus on growth after an outpouring of support from residents, the business community, and community associations to keep the utility public and locally owned. After extensive consultation with key stakeholders, including Members of Council, the Board of Directors of Geosands Inc. and its subsidiaries, and staff across the organization, this strategic plan charts a path for growing the organization for the next three to five years.

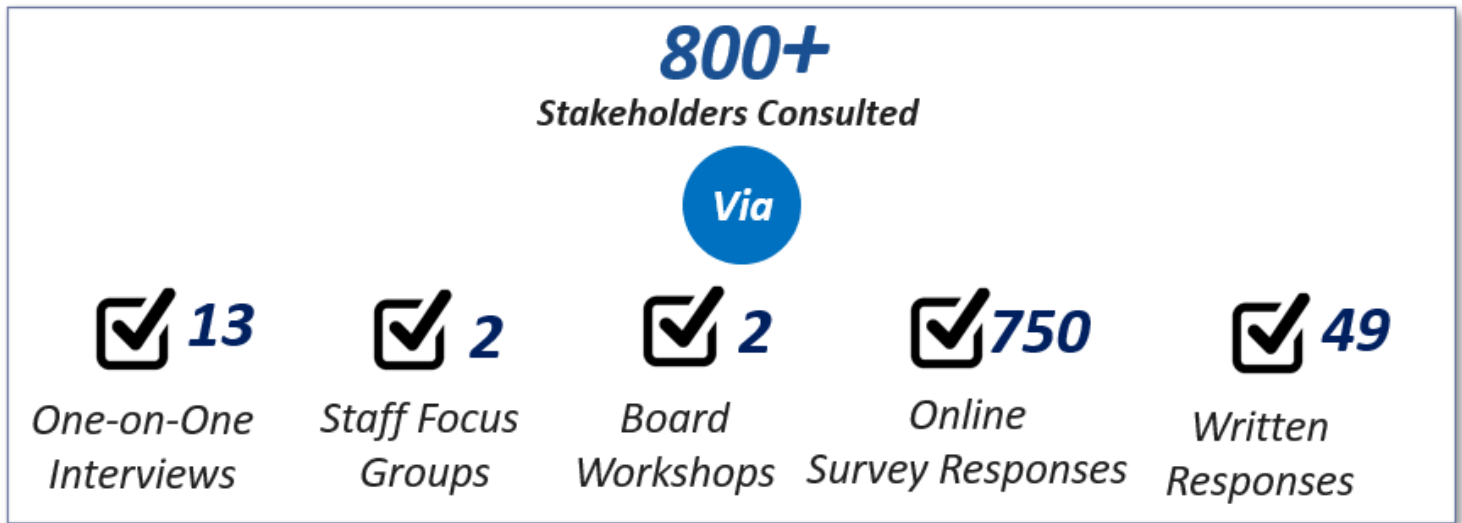
## The Engagement Process

At Geosands, we take pride in our reliability of service and our dedication to our customers. We are always looking for opportunities to better serve our community and greatly value the perspectives and opinions of all our customers. In order for us to effectively improve the services we deliver; we must meet the changing needs and expectations of our community now and in the future. From the beginning, this strategic planning process was designed to be highly collaborative, and over the course of a four-month engagement process, we sought the advice from our staff, Members of Council, residents, and business owners in the Town of Wasaga Beach.

From a customer perspective, all 14,000 customers were asked to participate through a town-wide mail out. In total, we consulted over 800 members of the Town of Wasaga Beach community, and as we look toward the next three to five years, this input will be critical to ensuring we have a strategic plan that reflects these needs and expectations, and supports a high performing organization that can take advantage of any opportunity.

The feedback we heard from across the Wasaga Beach community and from our Boards and staff was honest and unvarnished. This forms the foundation of both our strategic and implementation plans and will ensure we stay connected to our customers and dedicated to improving the critical services that our community relies on.

## How We Engaged Stakeholders



## Who We Engaged

- Stakeholders Consulted**
- Members of Council
  - Boards of Directors of Geosands, WDI, and WRSI
  - Staff
  - Residential Customers (Full-year and Seasonal)
  - Business Customers (Full-year and Seasonal)



## Stakeholder Feedback

As we developed our areas of strategic focus, we wanted to better understand what our key stakeholders and customers considered valuable growth opportunities that would drive meaningful change for our community. We hosted one-on-one interviews with Members of Council and senior leadership across the organization, multiple workshops with the Boards of Directors, and engaged with residential and business customers through an online survey.

Throughout this engagement we sought to answer the following questions:

- What should be Geosands' (and its subsidiaries) areas of strategic focus?
- How should Geosands (and its subsidiaries) position themselves to pursue growth?
- What is meaningful to Geosands' key stakeholders and the Town of Wasaga Beach community at large?
- Are there areas that Geosands (and its subsidiaries) could invest in to support growth, and how should we prioritize those opportunities?

All methods of outreach were very successful in engaging with Geosands' customer base and key stakeholders, and the major findings are outlined below.

### Preserving Geosands' key strengths

#### **Survey respondents reaffirmed that Geosands and its subsidiaries have earned a reputation for reliability and customer service.**

- The vast majority of respondents to the public engagement survey reaffirmed customers' support of Geosands and the publicly facing WDI and are generally supportive of the organization pursuing growth opportunities as long as they do not sacrifice the existing qualities of reliability of service, customer service, and affordability.
- Over 90% of survey respondents were, at minimum, satisfied with Geosands' services, and over 80% of respondents are supportive of growth opportunities that do not impact rates, including community investments, electricity distribution, and customer service improvements.
- All respondents across the stakeholder groups were proud that Geosands has earned this reputation, and customers associate this quality of service with a personal, "smaller town" approach to business.

## Preparing the organization to pursue growth

### Securing talent and skill sets now and for the future.

- As the organization is about to lose key senior personnel due to retirement, stakeholders indicated that Geosands must identify candidates to fill the current human capital need while supporting this strategic plan in the near and long-term, including having expertise in areas of non-regulated growth.

### There are barriers that may impede growth that must be addressed.

- Stakeholders identified a number of potential barriers to Geosands' pursuit of growth and the goals of this strategic plan, including the size and capacity of the senior management, the physical space to accommodate new personnel, and the expense of requirement investments in technology.
- Survey respondents, particularly residential customers, also indicated that some concern remains about any future consideration of selling the utility or increasing rates, and they were adamant that the utility should remain locally owned and operated to maintain the quality of service.

## Continue strengthening the relationship with the shareholder and the community

### Communications and transparency are key.

- Internal stakeholders were in agreement that recent efforts to improve communications and information sharing between Geosands and the shareholder signal a significant enhancement in the working relationship.
- Stakeholders indicated that there are opportunities to build on this improved relationship through increased collaboration with the Town.
- This could also serve to increase communications with Geosands' residential and commercial customers.

## Pursuing growth

### **There is support for growth in the non-regulated business.**

- Survey respondents and internal stakeholders were generally supportive of pursuing growth opportunities and investments in business activities outside of the traditional activities of a utility, but it would have to be determined whether the organization would tolerate higher risk in exchange for a higher rate of return.
- Opportunities that are perceived to be lower-risk include expanding non-core business activities, such as tree-trimming, trenching, or other utility-adjacent activities that could generate new revenues and expand resources to increase bandwidth and utilize in-house staff skillsets. This is generally accepted as a strong path forward.

### **Addressing the Town's projected population growth through sustainable investments.**

- Wasaga Beach is one of Canada's fastest growing municipalities in terms of five-year growth rate and stakeholders identified that Geosands' regulated business must be able to meet this future demand, including customer service and asset management.
- Internal stakeholders and survey respondents were unanimous in that as the Town changes in population size and demography, there is opportunity for more communication and interaction with the utility through social media and WDI's public facing website.
- As well, a majority of stakeholders across the engagement landscape indicated that they would be open or interested in Geosands (and its subsidiaries) pursuing investments in sustainable infrastructure, particularly electric vehicle charging stations, solar panels, battery storage, etc.

## Vision, Mission, and Values

### Vision

A growth oriented, community focused organization that is a leader in Ontario's energy sector.

### Mission

To provide our customers with excellent products and services in a competitive, safe, reliable and efficient manner, while always recognizing our community and environmental responsibilities. To operate a distribution network that supports Ontario's energy future by delivering obligations mandated by the Ontario Government and other regulatory agencies, while also seeking to grow the Utility through its non-regulated subsidiaries.

*“Our organization is committed to providing quality services to the people and businesses of Wasaga Beach, which they have grown to expect.”*

**Keith McAllister, President**

## Our Values

**A positive work environment:** Dedicated to creating a supportive environment for all employees, including Board members, in a climate of respect, honesty, and trust. We encourage staff to exchange ideas, be innovative and practice a healthy work-life balance.

**A safe work environment:** Committed to ensuring that all employees work in an environment that is safe and meets all current workplace and environmental standards.

**Excellence:** Devoted to enhancing the quality of our services, products, and practices through continuous improvement and innovation.

**Risk management:** Determined to pursue innovation and long-term sustainable growth while acknowledging and addressing relevant risks.

**Partnerships:** Dedicated to creating and nurturing collaborative relationships to support the goals of the organization.

**Customer focused:** Committed to helping our customers by listening to their needs, working hard to meet their expectations and valuing all our customer interactions.

*“As Wasaga Beach grows so must we. We will find smart growth opportunities to provide even more value to our community.”*

**Keith McAllister, President**

## Strategic Priorities

For a strategic plan to be effective, it must take into consideration the context in which an organization is operating—the policy and regulatory environment, technology changes, and the stakeholder community. To that end, we believe that setting strategic goals and objectives cannot be done in isolation. That’s why we reached out to our stakeholders through an extensive engagement process, which provided a unique and valuable perspective to this plan. Our stakeholders validated for us that what we are doing remains relevant and valued, while providing us with specific ideas for how to grow and improve existing services.

One of the things we heard was the overwhelming support for Geosands pursuing growth opportunities that increase net income while not overly exposing the company to risk. Geosands’ reliability of service and low price of distribution are celebrated by the community and at the heart of what we do, and our path forward must consider these qualities. We listened and adjusted the order of our strategic goals, and how we define them, to reflect this important feedback. Our three **strategic priorities** include:

- 1. Define how Geosands Inc. would like to grow and pursue growth:** Create a clear definition of growth and a framework to evaluate growth opportunities that has stakeholder buy-in and assess and pursue opportunities through this unified evaluation tool.
- 2. Preparing the organization to support this growth:** Prepare the organization, from front-line staff to the Boards of Directors, to support growth.
- 3. Strengthening the relationships underpinning this growth:** Ensure the relationships with key external stakeholders – the shareholder, customers, and the community more broadly – are maintained and improved upon.

The achievement of these priorities will lead to Geosands fulfilling its mission and vision.

**Geosands' priorities are interconnected.** They form a continuous feedback loop of activities to inform the next steps – identify and pursue growth opportunities, improve the organization, and improve stakeholder relations...repeat.



## Strategic Goals

In response to the environmental scan and stakeholder feedback, each priority has specific goals that will become Geosands' touchstones to guide our activities over the next three to five years.

### **PRIORITY 1: Define how Geosands Inc. would like to grow and pursue growth.**

*Over the next five years, Geosands will focus on the following four goals:*

#### **Supporting Geosands' core business and the Town's population growth.**

Geosands' core business is to support the growth of the distribution system to meet the needs of residential and business customers. Over the years, WDI and WRSI have diligently maintained equipment and assets in a safe and reliable working order and only when economically justified, upgraded or replaced equipment. However, Wasaga Beach is one of Canada's fastest growing municipalities in terms of five-year growth rate<sup>1</sup>, and the organization has identified an opportunity to invest in its regulated business.

An updated 2021 – 2025 Distribution System Plan is currently under development by the Engineering and Operations Department. This plan will be executed to ensure Geosands' regulated business is meeting the expectations of high-quality services that the community has come to expect and supports the Town's projected population growth. It is important to note that WDI will seek to get an adjustment from the OEB in its Cost of Service application to provide a commercially allowable return to the shareholder. It is expected that at such a time the revenue requirements for the utility will be reviewed and cost recovery for capital expenditures will be recognized. If this occurs, the company's net income will grow - providing additional value to the company and shareholders.

#### **Collaboratively creating an investment framework with the Boards of Directors and the shareholder.**

Staff, Board members, the shareholder, and the community are all supportive of Geosands pursuing growth opportunities – be it in investments in the community, the acquisition of comparable local distribution companies (LDCs), improvements in the

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<sup>1</sup> *Fastest-growing communities in Canada 2019*. MacLeans. 8 August 2019.



electricity service distribution system, or enhancements to customer service and awareness. However, there is not a unified definition between stakeholders of what growth means and how to evaluate different growth opportunities.

In the near term, Geosands will collaborate with relevant stakeholder groups to create an investment framework in which the organization can evaluate growth opportunities, such as opportunities to grow the regulated rate base via acquisition of similar LDCs, or growth in the non-regulated market. The framework will have clear tenets to support stakeholder buy-in and avoid permanent impairment of capital, while generating returns.

While an investment framework is needed, Geosands must also participate actively in the market to pursue appealing opportunities. Geosands is currently performing due diligence on a potential growth opportunity. If this opportunity is viewed positively, this opportunity will serve as a pilot project to inform the development of the forthcoming investment framework. It will allow the organization to conduct due diligence, assess its risk mitigation practices, and plan accordingly as further growth opportunities are considered.

### **Monitoring the market for non-regulated growth opportunities.**

Geosands' operational and aspirational comparator utilities have a portfolio of non-regulated businesses. These include services such as construction, fibre optics and wireless network management, city streetlight maintenance, solar panel installation, electric vehicle charging station infrastructure, water billing and wastewater management, landfill, gas, and battery storage.

Over the next five years, Geosands will actively monitor the market to identify organic and inorganic opportunities to expand its non-regulated businesses and services. Active market intelligence will be obtained diligently and consistently, especially as COVID-19 is and will continue to create turbulence in the local economy. This may provide Geosands with unique and unexpected growth opportunities.

### **Pursuing the highest ranked opportunity and evaluate and iterate the framework before pursuing next ranked opportunity.**

Once the investment framework is completed and market research and due diligence has been undertaken, and the organization is ready to support growth (*Priority 2: Preparing the Organization to Support this Growth*), the highest ranked opportunity will be pursued. This ranking will be provided as an output of the investment framework.

To support the success of this initiative, Geosands will create a full integration strategy that identifies how this new opportunity will be supported by Geosands' existing operations and governance structure, while also considering change management and communications requirements to support buy-in.

Once this opportunity has been executed, Geosands will take this moment to reflect on its achievements and evaluate areas of improvement to instill continuous improvement in its growth mindset.

This will include evaluating the investment framework and improving it with real-world data, assessing its integration capabilities, and gaining feedback from all stakeholders (staff, management, Board members, and shareholders) on how this growth was managed.

This will allow for the next growth opportunity to be executed with improved results and maintain momentum for Geosands to pursue growth.

## **PRIORITY 2: Prepare the organization to support this growth.**

*Over the next five years, Geosands will focus on the following four goals:*

### **Maturing organizational capacity by ensuring key positions are filled and management skill sets can support growth.**

Geosands will shortly undergo a large transformation. Of the 19 employees it is expected that seven will be eligible to retire or have indicated that they may retire within a five-year window. Within the executive group, it is expected that two or three of the group's four executives will no longer be with the organization within the next two years. For the organization to maintain its high service standards that the community expects while also pursuing new growth opportunities, these positions must be filled with the right people that have the right skills to drive this strategic plan and its goals forward.

Geosands will identify and recruit management and staff that can lead the daily operations and identify, pursue and integrate growth opportunities.

### **Building governance capacity and practice.**

As outlined in the comparator research found in *Appendix B*, Geosands' corporate structure is similar to its utility comparators. However, an area of corporate structure improvement would be cross-appointing Board members to multiple Geosands' Boards. This will allow Board members to have more insight and awareness into the different activities of the entire organization and allow for a more agile Board structure that can quickly support growth opportunities. Geosands will support the cross-appointment of Board members in the near term.

As Geosands pursues the cross-appointment of Board members, the organization will focus on fostering inter-Board relationships to encourage collaboration and effective information and knowledge sharing across the three Boards. Geosands will also determine how best to effectively communicate these roles and responsibilities across the Boards of Geosands, WDI, and WRSI.

Addressing the organization's governance will allow the organization to be better prepared to support growth.

### **Building an action orientated culture and supporting change management initiatives.**

Geosands' staff interact with the public each day, whether out in the field or in the office. This group of hardworking individuals are, to a large part, responsible for the organization's resounding success with its customers and the community.

The organization has seen a lot change in the recent years, and, through this strategic plan, more change is expected. To successfully support this change, the workplace culture must be action orientated, in which staff are comfortable and able to perform new and unfamiliar tasks to support growth.

As the organization changes and grows, staff need to have the information and opportunity to grow with Geosands. When decisions are made regarding growth, this important stakeholder group must be considered, and strategies developed to include them in the growth plan.

### **Preparing and managing areas of exposure and risk.**

Recently, the organization has made a number of operational improvements, including updating the organization's business plan, creating a more in-depth review and preparation of the asset management plan, and the delivery of an increased capital replacement program. However, one area of improvement is Geosands' approach to risk management.

The organization currently lacks an-organization wide approach to identifying and minimizing risks that may affect Geosands and its customers. To address this issue, Geosands will develop a risk management framework within the next five years.

This risk management framework will be a structured process used to identify potential threats to Geosands and its subsidiaries, and define the strategy for eliminating or minimizing the impact of these risks, as well as the mechanisms to effectively monitor and evaluate this strategy.

This framework will support the organization in maintaining its high level of service while also ensuring that the risks presented by growth opportunities are eliminated or minimized.

### **PRIORITY 3: Strengthen the relationships underpinning growth.**

*Over the next five years, Geosands will focus on the following three goals:*

#### **Continuing and increasing shareholder engagement activities.**

Geosands has recently increased its shareholder engagement activities, such as presenting annual business plans and holding annual general meetings. These increased engagement activities are well received by Town Council and are building increased trust and collaboration between the organization and its shareholder.

For Geosands to pursue growth opportunities, it will need a supportive shareholder that supports each opportunity and how it connects to the organization's strategy, understands the risks of each opportunity, and endorses Geosands' risk management framework to realize the benefits of each opportunity.

For this to occur, a strong relationship based on trust and transparency will be necessary between Geosands and its key stakeholders. While a foundation is being built, over the next five years Geosands will find more ways to engage the shareholder to foster a stronger relationship.

**Maintaining and building strong customer relations by connecting to customers online.**

Geosands and the publicly facing Wasaga Distribution Inc., are viewed positively by customers. This is demonstrated by the consistent strong customer performance score in OEB's scorecard and the customer survey found that over 90% of respondents were, at minimum, satisfied with Geosands' service.

However, as evidenced through the survey, there are ways in which Geosands can improve its customer experience – particularly through enhancements in its digital customer services. In the next five years, Geosands will improve its digital communications (website updates, social media presence, etc.), focus on connecting customers to existing digital resources, and enhance digital customer features such as electronic billing.

**Continuing to drive value from collaborators.**

The Ontario energy policy and regulatory environment will likely remain uncertain in the next five years. COVID-19 is directly and indirectly adding increased policy uncertainty.

As a result, Geosands must continue and bolster its involvement in policy development activities and thought leadership. As a smaller Ontario utility, its best course of action is to continue to participate and take an active role in organizations such as Cornerstone Hydro Electric Concepts Association (CHEC) and other collaborative organizations.

# Plan on a Page

## Vision

*A growth oriented, community focused organization that is a leader in Ontario's energy sector.*



## Mission

- To provide our customers with excellent products and services in a competitive, safe, reliable and efficient manner, while always recognizing our community and environmental responsibilities; and
- To operate a distribution network that supports Ontario's energy future by delivering obligations mandated by the Ontario Government and other regulatory agencies, while also seeking to grow the Utility through its non-regulated subsidiaries.

## Values

A positive work environment

A safe work environment

Excellence

Risk management

Partnerships

Customer focused

## Strategic Priorities and Goals



### Define and pursue that growth

- Support Geosands' regulated business and the Town's population growth.
- Collaboratively create investment framework with the Board and the shareholder.
- Monitor the market for opportunities in non-regulated growth opportunities.
- Pursue highest ranked opportunity and evaluate and iterate the framework before pursuing next ranked opportunity.



### Prepare the organization to support growth

- Mature organizational capacity by ensuring key positions are filled and management skill sets can support growth.
- Build governance capacity and practice.
- Build an action orientated culture and support change management initiatives.
- Develop a risk management framework and implement accordingly.



### Strengthen the relationships underpinning growth

- Continue and increase shareholder engagement activities.
- Maintain and build strong customer relations through enhanced digital experiences.
- Continue to drive value from collaborators.

## The Path Forward

Our updated strategic priorities and goals form a solid foundation for our direction over the next five years and will inform our business and operating plans. This strategic plan represents our commitment to our community and key stakeholders and is reflective of your needs and priorities and the environment in which we operate.

As we face multiple challenges that will directly impact Ontario's energy sector, the Town of Wasaga Beach, and our organization, we are prepared for change and uncertainty. We are confident that at its core, this plan provides the guidance we need to successfully grow and continue to provide our customers with excellent products and services in a competitive, safe, reliable and efficient manner, while always recognizing our community and environmental responsibilities.

We listened to you, we learned from you, and now it is time we act for you.

## Appendix A: The Context

### Policy & Regulatory Environment

The major findings of the policy and regulatory environmental scan concluded that Ontario's energy sector is undergoing a period of uncertainty, change, and the COVID-19 pandemic has further complicated an already unsettled environment. This environment, and the impacts of the pandemic, may have a variable impact on the strategic plan and Geosands' financial position over the next three to five years.

#### Increased regulatory uncertainty because of COVID-19

**The energy sector was already facing policy and regulatory uncertainty and change before COVID-19.**

- At the time of writing, uncertainty about the direction of the OEB is matched by concern about how Ontario will meet its need for new capacity in the power system given projected demand for electricity in the coming years.

**The degree to which Geosands' is financially impacted by COVID-19 will depend on many factors.**

- To address the financial impacts of the COVID-19 pandemic on Ontario residents and businesses, the provincial government announced new and expanded affordability policies, which may impact Geosands' financial position (bad debt, the operation of financial settlements, etc.) in the short-term.
- In the long-term, the degree to which Geosands' is financially impacted by COVID-19 will depend on the pandemic's impact on the Town of Wasaga Beach and its employment rate, the utility's customer base, the long-term regulatory implications of COVID-19 response policies, and how Geosands' identifies, measures, and tracks costs to address cost recovery<sup>2</sup>.

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<sup>2</sup> A standardized cost recovery approach for utilities impacted by COVID-19. Jim McMahon and Ned Hall – Charles River Associates. 2020 May.



## Technology and Innovation

As Geosands considers and pursues opportunities to grow and invest in innovative technologies across the sector, the business case for each opportunity must consider Geosands' existing capacity, resources, skill sets, and financial commitments. Outlined below are three examples of new technologies that are driving innovation in the sector and could be pursued as part of an integrated investment framework.



### Grid Modernization Technologies

- Grid modernization involves the updating, enhancing, and improving of a utility's electricity grid through technological advancements that ensure assets are optimized.
- It is driven by three key considerations, including increasing system resiliency, empowering customers, and optimizing assets to reduce costs.
- Benefits include increased efficiency, real-time data collection, and improved responses to customers and predictable supply and demand, which directly supports the timely and proactive maintenance of existing assets and infrastructure.

### Implications

- Given projected population growth and continued focus on reliability and quality of service, WDI will continue to leverage ongoing opportunities to modernize its grid where appropriate to control costs, enhance reliability and resilience, and engage customers through asset management planning and required capital investments.



## Distributed Energy Resources

- According to the IESO, Distributed Energy Resources (DERs) are electricity-producing resources or controllable loads that are connected to a local distribution system or host facility within a system.
- The business case for DERs, including roof-top solar, storage, etc., depends on the potential revenue streams, which are uncertain given the cancellation of the FiT program and other long-term funding commitments.
- However, investments in DERs can help avoid the need for more expensive and traditional capital investments by the utility, but not all investments can be included in the rate base.

### Implications

- The business case for investment in DERs is unclear in the current regulatory and policy environment, and further clarity is needed before Geosands will study the feasibility of investments in DERs.



## Electric Vehicle Charging Stations

- Governments at all levels are incentivizing the purchase of Electric Vehicles (“EVs”) or Hybrids, which are automotive vehicles powered via plug-in to electrical charging stations rather than traditional gasoline or diesel.
- EVs are projected to redefine the transportation industry as residential and commercial users look to diminish greenhouse gas emissions by switching from traditional internal combustion engine (“ICE”) vehicles.
- EV charging stations can be a potential revenue source, easily integrated with other innovations or technologies.
- However, there are risks associated with being an “early adopter,” and the connection of EV charging stations may complicate the operation of the grid.

### Implications

- Stakeholder engagement identified that the public is supportive of further investments in EV charging stations.
- Geosands will continue to explore EV charging stations in partnership with an established player with experience in related DERs technologies to mitigate associated risks.

## Appendix B: Comparator Analysis and Leading Practices

To complete a holistic assessment of Geosands' operating environment, the organization's governance and operational structures were compared to similar local distribution companies to determine the optimal structures and skill sets necessary to support the achievement of the strategic goals and priorities as set out by this plan. Additionally, this comparator analysis identified leading best practices and growth opportunities for Geosands to consider that have already been tested and validated with residents, stakeholders, and industry experts. The major findings of this assessment have been outlined below.

### Comparators have similar strategic directions

#### **Comparator LDCs are also focused on internal operational excellence.**

- Most comparators are also focused on improving their core business to ensure the rate payer is receiving reliable and affordable energy in the coming years and the shareholder has a consistent dividend.

#### **There is consensus on adopting innovative technologies.**

- Comparators have identified in their own strategic and business plans the importance of adopting innovative technologies.

#### **Comparators are focused on improving shareholder and community relations.**

- A large majority of comparable organizations are focused on making a positive community impact and building strong relations with the shareholder by working with municipalities on different initiatives.

#### **Leading practices demonstrate increasing investment in non-regulated adjacent services.**

- Many leading comparator LDCs have focused on increasing services in the non-regulated space, including the addition of business lines that support ancillary utility services, such as tree-trimming, trenching, etc.

### Existing governance structures diverge from industry best practices

#### **Reviewing existing governance structures against applicable best practice from OEB.**

- The OEB identified four indicators of leading corporate governance practices including Board independence, director skills, Board committee structures and functions, and supporting documentation and practices. While not exhaustive, Geosands is meeting most of the recommendations.
- The existing shareholder direction with the Town of Wasaga Beach was updated following the release of the OEB's 2018 report on corporate governance; however the capital expenditure processes and other reporting requirements may

constitute a transfer of decision-making authority, which should be explored further.

**Geosands should rationalize, review, and align the structure and skill sets of the Boards of directors across the organizations, including the cross-appointment of directors.**

- The lack of overlap of Board members across the three Boards may not effectively support information sharing, distribution of skill sets, and adequate staffing of subcommittees.
- Geosands should focus the cross-appointment of Board members to multiple Boards across Geosands and its subsidiaries, and support the development of inter-Board relationships, clearly defining the roles and responsibilities of each Board member in supporting these relationships.

**Key financial indicators may demonstrate opportunities for increased expansion**

**Geosands and its subsidiaries may have potential capacity to take on more debt.**

- WDI's Current Ratio (current assets/current liabilities), which is an indication of the company's ability to pay its short-term debts and financial obligations over the next 12 months, is a strength to the organization.
- The organization also has a lower debt-to-equity ratio (total liabilities/total shareholder equity) on average compared to other LDCs.
- This assessment suggests that WDI has capacity to take on more short-term and long-term debt to meet current and future asset and investment needs.

**Further diversification of investments may enhance net income**

**Geosands and other LDCs that have comparable operational structures have a minimal amount of revenues generated from the non-regulated space.**

- However, these comparators have identified an opportunity to increase net income through investment in ancillary utility services. As these other utilities grow, a material proportion of their net income may come from non-regulated services.