



ELECTRICITY DISTRIBUTORS ASSOCIATION

Annual Report

2010





“Ontario’s local electricity distributors are sowing the seeds of conservation, clean energy and ‘smarter’ distribution systems. LDCs envision a future of sustainable, robust and environmentally sound electricity distribution systems. It is a future that will be realized through dynamic collaboration with municipalities and community partners and provide environmental, social, and economic benefits to both our shareholders and electricity consumers.”

Brian Bentz, EDA Chair
September 2010

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Message from the Chair

A Collective Voice to

Ontario's electricity distributors have a long tradition of serving their communities and providing safe and reliable power. For over a century we have not only adapted our businesses, but we've also helped our customers adapt to the changes in Ontario's electricity market.

In an era of industry transformation, our companies have become much more than distributors of electricity. In fact, we are continuing to position ourselves as the "go to leaders" in building sustainable communities across Ontario. We are the front line and trusted face of an industry with over 4.7 million residential, business and institutional customers, representing a population of over 13 million Ontarians.

The *Green Energy Act* (GEA) empowers distributors - in fact requires distributors - to play a central role in satisfying the government's objectives to "grow" the green economy, meet conservation targets, develop 'smarter' distribution grids, and facilitate and connect new sources of renewable energy generation - all of these objectives involve new or greatly expanded functions for Ontario's Local Distribution Companies. I am very proud to report that the province's distributors are rising to the challenge of implementing this transformative legislation.

As Ontario utilities near completion of one of the largest implementations of smart meters on the planet - 4.5 million installations, with over 1.4 million customers transitioned to TOU billing - electricity distributors across this province are also poised to undertake one of the most ambitious conservation programs undertaken anywhere.

Our sector is also connecting an unprecedented number of distributed generation projects that are being constructed in response to the Feed-In Tariff and microFIT programs, not to mention piloting various smart grid technologies. It is indeed an exciting and challenging time to work in our industry.

Coordinating our efforts and staying focussed on the issues that matter most to distributors is critical if we are to be successful in moving forward. The ability to work through complex issues, provide workable solutions, and coordinate our efforts with government, regulators, agencies and market overseers is no easy task. It has required dedicated and focussed representation. For ten years now, the EDA has provided us with a collective voice to champion our interests - a voice that exclusively represents the province's electricity distributors.

The EDA's success in representing our interests was demonstrated on many levels in 2010.

With the government's issuance of the CDM Directive in April, we began preparations for a new regime to provide greater choice in programming for our customers, including: province-wide programming developed in collaboration with the Ontario Power Authority, programs developed in partnership with other distributors, and the option to create and deliver local programming that caters to the unique needs of our individual communities. In 2010, the EDA coordinated and established a Joint Steering Committee with the OPA to address policy issues related to the development of the CDM framework for 2011-2014 and to oversee CDM Master Agreement negotiations. Six key CDM Caucus working groups were instrumental in completing the burden of work associated with designing, developing and finalizing Tier-1 programs, marketing of programs, and program funding. It was a monumental effort facilitated and coordinated by the Association, and completed as a result of the tremendous efforts of LDC volunteers from across the membership.

Champion LDC Interests

Modernizing distribution grid systems and coordinating the development of a smart grid is vital to our electricity future. Under a Directive from the Minister of Energy in November, the Ontario Energy Board initiated a consultation process with LDCs and stakeholders to develop a coordinated approach to the planning and implementation of these activities. As we look to 2011, we will continue to provide our input and expertise as we better define what our role will be in the development of Ontario's smart grid.



Brian Bentz
Chair

As would be expected, the pace of activity remained high on the regulatory front in 2010. With the input and feedback of our Councils, and with the guidance and direction of the EDA Board of Directors, the Association not only brought our concerns and our issues to the table, but put forward solutions to industry challenges. Whether it was the input we provided on new customer service rules, cost of capital policy, amendments relating to the Smart Sub-Metering Code, or ensuring LDC options for a changeover to IFRS accounting standards, the EDA ensured that LDC regulatory issues remained a central focus of its efforts.

It has been an exceptionally busy time as we re-define and sift through the operational and technical hurdles of implementing our new responsibilities. It is how we confront and overcome these challenges that will be the true indicator of our success in going forward.

The issues I've cited provide a snapshot of EDA advocacy efforts in 2010. Further details pertaining to these, and other advocacy initiatives, are referenced later in this Report. At this point in our history, the scope of activity and the significant issues that are currently before our industry will have far reaching implications for how the distribution sector ultimately achieves a stable and sustainable future.

As will be addressed in the CEO's Report, the EDA and its LDC members have recognized the increasing need for a streamlined regulatory environment that will not only meet the implementation challenges of the GEA, but which will carry us forward into the future. In 2010, the EDA worked with members to create a vision of sustainable, streamlined regulation and agency oversight of LDCs. In 2011 we will engage member and stakeholder support for advocating to government the EDA's vision of streamlined regulation. We will also work with members to develop a strategy that addresses the appropriate future for Ontario's transmission and distribution grid, in the context of a more diversified and complex LDC sector.

Ontario's distributors continued to show their leadership through their actions in 2010. It is a testament to our sector's commitment to play an integral role in building a sustainable, reliable and clean power system for the benefit of all Ontarians.

My tenure as Chair has been a rewarding one in a year that saw progress for our industry. It is my firm belief that in order to be effective advocates and achieve change for distributors it is critical that we continue to speak with a collective and unified voice through our Association. I believe we can look with confidence to the future. It is a future in which the EDA will continue to provide strong leadership in advocacy for the collective betterment of Ontario's electricity distributors.

A handwritten signature in black ink, appearing to read 'B. Bentz', written in a cursive style.

Brian Bentz
Chair

Message from the CEO

Capitalizing on New

In 2010, the Electricity Distributors Association (EDA) continued to focus its efforts, resources and services on the priority issues that were impacting the province's distribution businesses. It was a year of unprecedented activity for LDCs, driven primarily by the ongoing implementation of the *Green Energy and Green Economy Act* (GEA), and the dramatic changes that continued to transform Ontario's electricity system.

Our ability to adapt and respond to sector challenges was key to our success and effectiveness. Under the leadership and direction of our Board of Directors, and with the valuable input of members through our Councils, Caucus, working groups and committees, we brought a united and powerful voice to the issues confronting LDCs.

Effective planning and a strategic approach to the activities we undertook helped to keep our focus on the priority issues. Guided by the strategic goals set out in the EDA's 2010 Business Plan we set out to pursue initiatives to provide LDCs with a favourable policy and regulatory environment to conduct their business; credible information on which to develop their future business models; and the effective relationships with suppliers, academia and other entities to develop, build and staff these new business ventures.

It was a year in which distributors continued to position themselves as key players in the development of sustainable communities. Recognizing LDCs would benefit from instructive information and tools to assist them in pursuing these new business opportunities, the EDA focused its attention on providing resources that would further their ability to do so.

In early 2010, the EDA developed and distributed a "Strategic Toolkit" to guide the development of a business case for LDCs investing in GEA activities. The toolkit included investment assessments of opportunities, as well as risks and barriers to successful participation in GEA-permitted activities. The kit included an effective model that allowed distributors to perform a quantitative assessment of the business opportunities they might want to pursue under the GEA.

As the roles and responsibilities of distributors have increased, so too has the burden of the sector's regulatory oversight. This issue was highlighted in our Business Plan and in 2010 we initiated a regulatory streamlining project, intended to address the heavy burden of regulatory oversight and agency involvement. In looking forward, the Board-approved business plan for 2011 includes advocating for streamlined regulation in the sector with the aim to have decision-makers support a process for change. In this context, the EDA will be taking advantage of the pre-election window to bring streamlining regulation and other policy priorities forward to all the political parties.

With the government's issuance of the Conservation and Demand Management (CDM) Directive in April, a great deal of our effort in 2010 was focused on working with the Ontario Power Authority (OPA) to develop a new 4-year CDM regime for the delivery of Tier 1 province-wide programs. The EDA was instrumental in facilitating a collaborative process between its LDC members and the OPA in order to undertake critical discussions on program design, marketing strategies and funding allocation, among other issues. As a result of the tremendous effort undertaken by the EDA's CDM Caucus, its working groups, and the Board's Joint Steering Committee, negotiations to finalize a CDM Master Agreement were realized in early 2011.

Identifying distributor's needs and then acting to provide a practical solution to those needs was something we did well in 2010. This was best demonstrated by three important initiatives we undertook.

The lack of new entrants into the industry, the advent of new technologies that require new skills and training, and issues regarding equivalency of qualifications has combined to create a challenging Human Resources landscape for the sector. It prompted the EDA in 2010 to create a new

Business Opportunities

Human Resources Council to help respond and address these issues. It filled a much needed void and provided a structure for LDC HR professionals to meet, exchange best practices, and work together to raise awareness of existing and emerging human resource requirements. To complement this process, the EDA also developed and delivered practical resource tools to assist members in accessing academic and post-secondary program resources, and to provide labour recruitment outreach support.



Charlie Macaluso
President and CEO

The Association remained cognizant of the communication challenges that LDCs were facing in managing customer expectations in the face of increasing prices on electricity bills in 2010. The EDA's Communicators Council took a proactive approach and in the spring developed consistent messaging tools for use by LDCs. The messaging package was designed to help deal with media coverage and customer queries regarding higher prices on consumer bills. It helped to position LDCs as responsible and well-managed community utilities who make significant economic contributions to the province, provide value for money to their customers, are financially well-managed, and are environmentally responsible and committed to a sustainable electricity system. Importantly, our sector was the first in the industry to bring this kind of thorough and comprehensive messaging forward into the public domain.

On a government relations front, the Association developed a comprehensive information kit geared to provincially-elected officials in order to inform them of the latest issues and challenges confronting the LDC sector in Ontario. A central component of this package was a new EDA booklet entitled 'Getting to Know your Electricity Utility', which was also used by LDC members later in the fall to help educate incoming municipal shareholders on LDC priority issues.

Our primary mandate as advocates for all of Ontario's LDCs continued to be a critical focal point of the Association's work in 2010. Our ability to engage effectively with government decision-makers, the Ontario Energy Board (OEB), agencies, market overseers, and industry stakeholders was a central component of our ongoing efforts to bring forward and represent the best interests of LDCs in the decisions of the day. These efforts and activities are fully addressed in our Chair's Report. However, I would like to emphasize that our greatest advocacy successes continue to be realized through our ability to speak as one voice. This held true in 2010 as it has in our past and as it will into the future.

2011 represents a significant milestone for the EDA as we celebrate our 10th year as a re-branded Association - providing advocacy, information and analysis and networking for the province's electricity distributors. As has been our tradition over the past decade, we remain committed to building consensus on the issues that further the business interests of our LDC members. We will continue to work diligently on our member's behalf to ensure that the voice of Ontario's electricity distributors remains at the forefront of the significant issues that are transforming our industry.

On behalf of the EDA staff, we look forward to working with the membership in the year ahead to put our best efforts forward in support of the building of a strong and sustainable electricity distribution industry in Ontario.

A handwritten signature in black ink, appearing to read 'Charlie Macaluso', written in a cursive style.

Charlie Macaluso
President and Chief Executive Officer

2010

Electricity Distributors Association

Officers



Brian Bentz
EDA CHAIR
POWERSTREAM INC.



Jim Keech
EDA VICE CHAIR
KINGSTON HYDRO CORP.



John Loucks
EDA PAST CHAIR
BRANTFORD POWER INC.



Charlie Macaluso
EDA PRESIDENT & CEO

Representatives by Electricity Distribution Company Size



Wayne Smith
HYDRO ONE
NETWORKS INC.



Anthony Haines
TORONTO HYDRO
CORP.



Brian Bentz
POWERSTREAM INC.



Max Cananzi
HORIZON UTILITIES
CORP.



Rosemarie Leclair
HYDRO OTTAWA LTD.



Rene Gatien
WATERLOO
NORTH HYDRO INC.



Brian Wilkie
NIAGARA PENINSULA
ENERGY INC.



Jim Huntingdon
NIAGARA-ON-THE-LAKE
HYDRO INC.

Board of Directors

Representatives by District



NORTHWESTERN



Robert Mace
THUNDER BAY HYDRO
ELECTRICITY DISTRIBUTION INC.

NORTHEASTERN



Todd Wilcox
NORTH BAY HYDRO
DISTRIBUTION LTD.

GEORGIAN BAY



Ruth Tyrrell
ORANGEVILLE HYDRO LTD.

UPPER CANADA



Jim Keech
KINGSTON HYDRO CORP.

NIAGARA GRAND



John Loucks
BRANTFORD POWER INC.

WESTERN



Brian Hollywood
ST. THOMAS ENERGY INC.

The Power of One Voice

The Voice of Ontario's Local Electricity Distributors – The Power of One Voice

The Electricity Distributors Association (EDA) is the voice of Ontario's local electricity distributors, the publicly and privately owned companies that safely and reliably deliver electricity to over 4.7 million Ontario homes, businesses and public institutions.

Valued Industry Knowledge, Networking Opportunities & Collective Action

Our mission is to provide local electricity distribution companies with the valued industry knowledge, networking opportunities and *collective action* vital to the business success of each member.

The EDA is the only Association dedicated exclusively to distributor interests and with the experience and credibility to speak for LDCs.

3 Core Businesses

Advocacy and representation in the legislative and regulatory environment and the electricity market in Ontario.

Information and Analysis that includes up-to-date, expert analysis of relevant legislation and market rules, with a particular focus on regulation.

Networking opportunities with professional and industry colleagues.

A Century of Tradition

The Association has a long and distinguished history, dating back to the formation of the electricity system in Ontario, early in the twentieth century. The Niagara Power Union, established in 1909, merged with several other power unions in 1912 to form the Ontario Municipal Electric Association (OMEA). In 1919, the engineering section established itself as a separate association, the Association of Municipal Electrical Utilities (AMEU). It wasn't until 1986 that the two associations amalgamated to form the Municipal Electric Association (MEA).

On October 18, 2001, in response to the changes to the electricity industry created by the Energy Competition Act, 1998, the MEA restructured and was renamed the Electricity Distributors Association. The EDA will celebrate its 10th Anniversary in 2011.

Membership

LDC Voting Member

Membership in the EDA is open to all local electricity distribution companies within Ontario's deregulated marketplace. As a Member Corporation – represented by a Board or Company Officer – LDC voting members are entitled to the full suite of member privileges, products and services, as well as the right to vote on all matters that are taken before the membership.

Individual Member

To help a LDC's management team take even greater advantage of EDA resources, products and services, voting members can also nominate individual members from their organizations. Individual members enjoy the same access to dialogue, information and weekly Association mailings as voting members, but are not allowed to vote on membership matters.

Associate Member

Associate membership is extended to non-LDC companies wishing to do business and participate in Ontario's market and with the EDA membership. This class of membership is also available to any out-of-province utilities that can benefit from access to the membership and resources of the Association such as the Weekly newsletter "*The EDA Weekly*".

Commercial Member

Service companies and suppliers to the electricity industry form an important part of the EDA's membership base. Commercial members share in regular information exchanges, conferences and networking opportunities.

The Commercial Members' Steering Committee, whose members serve a one year term (Chair and Vice Chair serve 2-year terms), develop and establish protocols to support the success of commercial member services.

In 2010, the 14-member Committee was chaired by Neil Sandford, Vice President, Distribution Utility Services of Acumen Engineered Solutions International Inc (AESI). The EDA's Western District Board Director, Brian Hollywood, President and CEO of St. Thomas Energy, served as the Committee's EDA Board Representative.

Affiliate Member

Affiliate membership is offered to those company entities operating in Ontario and affiliated with a local distribution company.

In 2010, the EDA had 138 Commercial Members and 11 Associate Members.

Councils

The policy positions that the EDA adopts and the advocacy it engages in are directly influenced by members. EDA Councils focus on member needs and issues, ensuring the Association is on target in its advocacy, networking and information analysis efforts. EDA Council members have an opportunity to provide input on advocacy files, stay informed and gain expertise on current issues and participate and learn best practices. Representatives on EDA Councils reflect size and geographic LDC demographics.

22 EDA Council Meetings were held in 2010. All LDCs can participate in Council Meetings.

Operations Council – Focuses on policy issues of a technical or operational nature, including: amendments to the Distribution System Code and Retail Settlement Code; billing, metering, settlement; safety and environmental issues; and, issues requiring a level of technical expertise or knowledge. In 2010, the Operations Council spent a great deal of time focusing on Reliability Standards. 15 LDC representatives made up the Core Council, including Dan Charron, Council Chair, Chatham-Kent Hydro, and Vice Chair Emanuel DaRosa from Thunder Bay Hydro Electricity Distribution Inc.

Regulatory Council – Focuses on regulatory issues of commercially oriented, regulated utilities, including: issues impacting the determination of rates; regulatory instruments or issues impacting regulatory instruments; and, processes and proceedings before the OEB. In 2010, the Regulatory Council focused a great deal on Customer Service Rules and Code amendments. The Core Council consisted of 17 LDC representatives including, Council Chair Colin McLorg, Toronto Hydro-Electric System Ltd. and Vice Chair Scott Miller, Hydro One Brampton Networks.

Finance and Corporate Issues Council – Focuses on financial issues and corporate or strategic business issues, including: finance issues; corporate governance; and, structure issues. In 2010, the council spent a great deal of time on the depreciation study and issues related to IFRS implementation. 15 LDC representatives made up the Core Council with Brantford Power Inc's Brian D'Amboise as Council Chair and Ramona Abi-Rashed, Whitby Hydro Electric Corp., as Vice Chair.

Communicators Council – Focuses on facilitating enhanced understanding and coordination between LDCs on various communications efforts as it relates to key issues of province-wide importance. In 2010, the EDA through the Communicators Council developed LDC messaging to stay in front of negative media/public attention as it related to increasing prices on electricity bills. Just as importantly, the messaging was intended to assist LDCs in responding to the anticipated influx of customer queries about increasing electricity prices. 15 LDC representatives comprised the Core Council including, Council Chair Sandy Manners, Guelph Hydro Electric Systems Inc. and Vice Chair Karen Ras, Enersource Hydro Mississauga Inc.

Councils

Human Resources Council – Focuses on human resource issues facing Ontario’s local distribution companies, including but not limited to: training and qualification requirements for LDC sector needs now and in the future; equivalency of qualifications across jurisdictions; and, workforce development/ supply and planning. 14 LDC representatives including, Council Chair Marjorie Richards, Horizon Utilities Corporation and Vice Chair Andrew Covello, Thunder Bay Hydro Electricity Distribution Inc. comprised the Core Council.

EDA Council Forums – Profiling New Business Opportunities for LDCs

In 2010, Council Forum program development emphasized the themes of new business opportunities for LDCs to share information and enhance industry knowledge:

- **Operations Council Forum – March 3, 2010**
Mitigating Security and Privacy Risks of the Evolving Smart Grid
- **All Councils Forum – April 29, 2010**
Capitalizing on Business Opportunities under the GEA –
the EDA’s Strategic Toolkit
- **Operations Council Forum – July 15, 2010**
Smart Grid Planning Approaches for Ontario
- **Regulatory Council Forum – October 14, 2010**
Distribution System Planning
- **Conservation and Demand Management (CDM) Forum – December 2, 2010**
Planning and Marketing
Effective CDM Programs

Conservation & Demand Management (CDM) Caucus

The EDA’s CDM Caucus brings together Local Distribution Company (LDC) CDM specialists and officers from across the province to facilitate the exchange of information on best practices and experiences, as well as serving as a central CDM policy review and analysis group. The CDM Caucus is comprised of a ‘governing body’ of LDC Conservation Officers, or their equivalent, from Ontario’s local distribution companies. Seventeen LDC representatives comprised the CDM Caucus with Brantford Power’s John Loucks as Chair, and Eileen Campbell of Horizon Utilities as Vice Chair.

A number of CDM Caucus Working Committees were formed to deal with CDM issues. The Working Committees included:

- Consumer CDM Program Working Group
- Commercial and Institutional CDM Program Working Group
- Industrial CDM Working Group
- Residential Demand Response CDM Program Working Group
- CDM Funding Working Group
- Low Income CDM Program Working Group
- CDM Marketing Working Group





Districts

While the EDA is a provincial organization that works on behalf of all local electricity distributors, the membership is comprised of companies who are proud to serve their local communities. With six Districts, representing six unique geographic regions across Ontario, the EDA recognizes the importance of geographic representation and the strong regional voice it brings to the Association.

Districts play an active role by offering valuable networking opportunities for members. District committees and workshops provide for local interaction, co-operative initiatives, and the opportunity to further the common interests of the LDC members in each local EDA District.

District Directors play a pivotal role on the EDA Board of Directors by representing a unique regional voice. Not only do elected District Directors help shape policies that generate a favourable regulatory climate for LDCs, but they also help to make the decisions that govern the business of the Association, including its mandate, strategic direction, priorities and plans, and delivering on the objectives of the Association.

The EDA has 6 Districts:

Western District

Niagara Grand District

Upper Canada District

Georgian Bay District

Northeastern District

Northwestern District

Advocacy Track Record

A Recognized Brand

The EDA has established strong brand recognition amongst government decision-makers and industry stakeholders ensuring that the interests of Ontario's LDCs are preserved and expanded.

2010 Advocacy Highlights and Successes

- The EDA, through its SME Transition Committee, successfully negotiated a Memorandum of Understanding on SME governance with the IESO which resulted in a joint signing of the agreement. The agreement, supported by the government, ensures that LDCs will have a majority representation on the SME Board.
- The EDA successfully advocated on the Amendments to the Reporting and Record Keeping Requirements.
- The EDA was successful in obtaining a favourable decision on Cost of Capital.
- The EDA advocated through the OEB proceeding on the fixed charge for microFIT generators resulting in a favourable decision issued by the OEB.
- The EDA was successful in advocating amendments to the Distribution System Code and Affiliate Relationships Code.
- The OEB supported the EDA's position with regard to rate year alignment with fiscal year.
- 2010 saw the resolution of the long standing late payment class action.
- The EDA advocated successfully on a series of principles to support Smart Grid policy favourable to the interests of LDCs.
- In regard to the Ministry of Energy Conservation Assessment Charge, the EDA advocated that LDCs be held whole for all costs incurred, as a result of billing and collecting any government costs. New regulations filed stated that additional government charges are to apply to regulatory and not to distribution charges and LDCs will be held whole for all costs. The EDA was ultimately successful in advocating for the elimination of the assessment.

Providing Input and Recommendations on Industry Issues

- The EDA participated on the Ministry of Energy's Energy Conservation Working Group to address implementation issues associated with the *Green Energy Act*.
- The EDA held a seat on the Ministry of Training, Colleges and Universities' 'Green Advisory Panel' on addressing skill shortages in the electricity sector.
- The EDA sat on the joint Ministry of Energy and the OPA's microFit and FIT Advisory Panels.
- The government requested the EDA's input on the Long Term Energy Plan.
- The EDA was asked for input on regulatory changes to the Global Adjustment, and development of regulations on the Conservation Assessment Charge, the Ontario Clean Energy Benefit, and the Energy Consumer Protection Act.

Government/Industry Relations

Through its close relationship with government, the EDA is an effective and respected voice in representing Ontario's electricity distributors within a complex and evolving electricity market.

In 2010, the EDA met regularly with the Minister of Energy including the Minister meeting with the Association's Board of Directors in the Fall. The regular contact extended to the civil service as the EDA maintained quarterly meetings with the Deputy Minister of Energy. EDA staff also met frequently with political staff and senior civil servants to discuss and advocate for the issues and priorities confronting the province's electricity distributors.

As part of this year's Queen's Park Electricity Utility Day, the EDA scheduled meetings with more than a dozen MPPs and political staff with a highlight being a meeting with the Minister of Finance. The EDA made a concerted effort to extend its reach and profile beyond the Ministry of Energy so more officials could better understand the contributions of the LDC sector to Ontario's economy and local communities.

EDA Stakeholder Relations

In addition to expanding the EDA's profile more broadly across the government, the Association took steps to enhance its relationships with key stakeholders. In 2010, the EDA established a Joint Steering Committee with the Ontario Power Authority to address policy issues related to the development of the CDM framework for 2011-2014. In addition, processes were established with both the Ontario Energy Board and the Electricity Safety Authority, to conduct bi-monthly and semi-annual meetings respectively, to provide a senior-level forum to discuss issues and better coordinate implementation. 2010 marked the year that the EDA signed a memorandum of understanding with the Independent Electricity System Operator for majority governance by LDCs of the Smart Metering Entity.

New Legislation Significant to the Electricity Sector

Energy Consumer Protection Act, 2010

The legislation is designed to enable individual suite metering in apartment buildings, and to give tenants more control over energy costs. It is also designed to ensure consumers have the information they need about electricity retailer's contracts. It includes new guidelines and ethical business standards for electricity retailers.

Helping Ontario Families Manage Responsibly Act, 2010 (Ontario Clean Energy Benefit)

A 10 per cent benefit to help consumers manage rising electricity prices for the next five years. The OCEB, which would help more than four million residential consumers and more than 400,000 small businesses, farms and other consumers, was effective January 1, 2011.

Ontario Energy and Property Tax Credit for Seniors and Ontario Families Act, 2010

The Ontario Energy and Property Tax Credit will provide low- to middle-income families and single people with additional relief for the sales tax on energy and for property taxes, beginning with the 2011 tax year.

Responding to the Evolving Business Landscape

Conservation and Demand Management (CDM)

Conservation and Demand Management (CDM) programming is a fundamental component of the *Green Energy and Green Economy Act* (GEA) and the government's desire to 'create a culture of conservation' among Ontario's electricity consumers. In 2010, CDM was a priority issue for the EDA and its LDC members.

The EDA was successful in ensuring that the CDM Directive issued by the Minister of Energy, Brad Duguid included opportunities for LDCs to develop collaborative and individual CDM programs. Other key elements of the Directive fulfilling the long-term CDM policy objectives of the EDA include:

- Province-wide programs will be designed by LDCs in partnership with the Ontario Power Authority (OPA)
- Province-wide programs will have scalability and LDCs will have the choice in selecting their portfolio of programs to meet their targets
- Distributors will be eligible for recovery of any distribution revenues lost as a result of CDM programs funded, contracted by, or delivered by the OPA or Ministry of Energy
- An economic incentive will be provided to deliver programs efficiently
- Performance incentives will be provided when LDCs meet/or exceed targets
- The funding model will match the target period-four-year funding and targets with annual reporting to the OEB and a two-tier incentive will be established.

The CDM Directive establishes two key CDM targets for distributors to meet over the next four years, beginning January 1, 2011 - the shaving of 1,330 megawatts of provincial peak demand and 6,000 gigawatt hours of reduced electricity consumption. These targets are to be met as a condition of license, over a four year period beginning January 1, 2011.

For much of 2010, the EDA, through the CDM Caucus, and the OPA worked in collaboration to develop the Tier-1 CDM province-wide programs for LDCs to deliver beginning January 1, 2011. Working groups were created, with extensive LDC involvement and commitment, to support the efforts of the Caucus and the OPA to co-design CDM programs (consumer, commercial/institutional, low income industrial, and DR programs) and to address the funding formula and marketing strategy and marketing standards for the programs. The EDA and the OPA developed a Joint Steering Committee to address policy issues arising from the discussions between the EDA CDM Caucus and the OPA. Through much of the fall, the EDA, through the CDM Caucus, and the OPA were in negotiations on the CDM Master Agreement and corresponding program schedules to complete the agreement in early 2011.



Providing Input & Recommendations on Industry Issues Critical to LDC Business Success

In 2010, the EDA made over 24 official submissions on numerous industry issues critical to the success of LDC businesses including, among others:

- Rate Protection and Determination of Direct Benefits under Ontario Reg 330/09
- Amendments to Distribution System & Affiliate Relationship Code
- Distribution System Plans under the *Green Energy Act*
- Alignment of Rate Year with Fiscal Year
- Responsibility Rules for Connecting Renewable Generators
- Distribution Revenue Decoupling
- CDM Code and Targets
- Regulations under *Energy Consumer Protection Act*
- Adoption of IFRS by rate-regulated entities
- Low-Income and Other Customer Service Amendments
- Developing Electricity Distribution System Reliability Standards
- Review of Electricity Distribution Cost Allocation Policy

EDA's Regulatory Streamlining Project

A priority project for the Association in 2010 was a 'White Paper' that proposes a new streamlined vision for how electricity distributors should be regulated and overseen by agencies and policy makers in Ontario.

A Steering Committee of EDA Council Chairs and Vice Chairs worked with the EDA on a framework for the 'White Paper' that envisioned:

- Regulatory objectives and current approaches of each of the key regulators / agencies currently overseeing Ontario's electricity distributors;
- A summary of the best practices from similarly-focused agencies in other jurisdictions;
- An analysis/critique of the current regulatory / oversight models in Ontario;
- A proposal for a new streamlined model of regulatory oversight of distributors in Ontario; and,
- An assessment of the anticipated benefits/savings that could be realized from adoption of the new streamlined model.

Work continues into 2011 to finalize the regulatory streamlining project.

Strategic Toolkit for LDCs: Capitalizing on Business Opportunities under the GEA

A key objective in the EDA 2010 business plan was the development of a Strategic Toolkit to assist LDCs in capitalizing on new business opportunities under the *Green Energy and Green Economy Act (GEA)*.

Developed with the assistance of Hatch Management Consulting, the manual and model are resource tools intended to provide/guide the development of a business case for LDCs investing in GEA activities.

Providing Practical Resource Tools for Members

Academic Program Resource

In recent years, several human resource issues within the LDC sector have been identified, including: the lack of new entrants into the sector, the advent of new technologies that require new skills and training, and issues regarding equivalency of qualifications.

The EDA developed a resource kit as a reference tool for members who are designing their own labour outreach strategies with academic institutions. The resource guide identifies the Ontario Universities and Colleges which offer energy related programs.

Career Fair Opportunities for LDCs

To assist LDCs in addressing their workforce shortages and recruiting new employees, the EDA created an extensive list of career fairs with colleges and universities in communities across Ontario to provide LDCs an opportunity to showcase their utility and employment opportunities. A calendar of career fairs showing dates and contact information was also included.

Responding to Increasing Prices on Electricity Bills - Key Messaging for LDCs

The EDA, through its Communicators Council, developed LDC messaging to take a leadership role in informing the public on increasing electricity bills. The messaging was intended to assist LDCs in responding to the anticipated influx of customer queries about increasing electricity prices.

This LDC-specific messaging was meant to promote awareness and understanding of the factors that are impacting electricity prices – providing factual information that is clear, consistent and comprehensive. Its intent was to help position LDCs as responsible and well-managed community companies who make significant economic contributions to the province, provide value for money to their customers, are financially well-managed, and who are environmentally responsible.

EDA Provides New Municipal Toolkit to LDC members

In order to assist LDCs in informing their newly elected municipal councillors on the LDC sector and its issues, the EDA developed a resource kit that distributors can share or draw information from for communications with local elected officials and/or new board directors.

The pre-packaged kit is also an excellent tool to bring all municipal politicians up-to-speed on the primary issues confronting the LDC sector in Ontario. The kit is a tool that is intended to reinforce the important role that the sector plays in Ontario's economy and its close and meaningful relationship with its local community and municipal government.



Information & Analysis

Keeping LDCs Informed of all Industry Issues

The EDA's focus on providing critical and timely information to its members is an essential part of what the Association does. It is the professional analysis of important legislative and regulatory issues that sets the EDA apart. In 2010, the Association's team of analysts ensured that electricity distributors had the expert analysis that was required by LDCs to help support their business decisions.

Analysis of the issues is delivered to members in a number of ways through: Council meeting presentations and Forums; committees and working groups; communication channels such as the *EDA Weekly*, *RapidSource* news bulletins and the EDA member website; and one-on-one with members who require information on specific issues.

Industry News and Information at Your Fingertips

EDA Weekly

The *EDA Weekly* covers up-to-date news and events as they happen. The weekly electronic newsletter is a valued and popular resource for LDC members, helping them stay on top of the industry's most current news and developments. It is the only publication of its kind that focuses exclusively on Ontario's LDC sector. 51 newsletters were issued in 2010.

EDA RapidSource News Bulletins

The Association's member electronic news service is used to deliver breaking news and important industry developments – much like a news release service specifically geared to LDCs. 77 *RapidSource* news bulletins were issued in 2010.

EDA Broadcast Messages

This electronic information service delivers timely information to members about EDA events and promotions, Association news and major industry and legislative news/announcements. 43 Broadcast Messages were issued in 2010.

EDA WireScan - A News Service for Members

The *EDA WireScan*, the Association's electronic news service, provides members with a daily environmental scan of energy news and regulatory activity pertinent to Ontario's LDC sector. The service covers jurisdictions in Ontario, across North America and around the globe.

EDA Website – www.eda-on.ca

The EDA website presents a professional image of the Association and offers relevant content and resources for its member users, as well as media and industry stakeholders. The extensive member site provides a one-stop shop that provides information on everything from the most current EDA advocacy initiatives and submissions, to the LDC Best Practices Bulletin Board for members to share successful initiatives.

Information & Analysis

A Reputation for Excellence – EDA Publications

The Distributor – A Magazine for Ontario’s LDC Sector

The Association’s premier magazine, *The Distributor*, helps to promote a greater understanding of our industry and its issues to our key stakeholders, government officials, elected representatives, and the media. Each issue includes a bi-monthly message from the EDA Chair and articles that profile individual LDC initiatives and accomplishments.



EDA Member Handbook

The EDA Member Handbook is the reference tool of choice for Ontario’s local distribution companies and industry commercial companies. Issued annually, the handbook is distributed exclusively to members of the Electricity Distributors Association. Whether members need a quick reference to a key industry contact, or are simply looking for information on Association awards, the Member Handbook has the answers members are looking for at their fingertips.

The EDA Corporate Brochure – Featuring the 2010 EDA Board of Directors

Issued at the Annual General Meeting, the EDA Corporate brochure highlights the activities of the EDA and prominently features the EDA Board of Directors. The brochure is used extensively to promote the EDA’s current Board and the mandate of the Association.

CEO’s Quarterly Report

Four CEO Reports were issued in 2010 by the EDA’s President and CEO, Charlie Macaluso. The Quarterly Reports provide a vehicle for the EDA to communicate the latest activities of the Association, with an emphasis on its advocacy, information and analysis, and networking efforts.



EDA’s Best Practices Bulletin Board

The Best Practice bulletin board available from the EDA member website features a number of relevant and timely issues/topics for the sharing of information between members. The posted topics reflect current issues and challenges faced by distributors.

This unique LDC discussion forum is intended to help facilitate the sharing of best practices and act as a platform for the open exchange of ideas. LDC members can access current topics, post comments, weigh-in on discussions, or simply read what other LDCs are doing to address specific issues.

EDA Networking Opportunities

EDA networking events provide members with opportunities to share information, exchange best practices and get to know and understand the perspectives of colleagues and other industry players. In 2010, the EDA hosted a full slate of successful events and forums.

Annual General Meeting

The Year of Transformation

Held at the Fairmont Royal York Hotel in Toronto on March 28 and 29, the 2010 EDA Annual Meeting was an opportunity for LDC delegates to participate in the EDA's direction and to hear from the industry's top leaders as well as leaders in other jurisdictions. Minister of Energy, Brad Duguid delivered the keynote speech at the AGM's closing dinner gala. The gala dinner also featured the EDA's Industry Awards.



Queen's Park Reception

The 7th Annual Queen's Park Electricity Utility Day was held on November 16th. This successful and well-attended EDA event attracted close to 100 LDC representatives from across the province and 67 MPP's, political staff and civil servants. EDA staff also met with government officials throughout the day, including meeting with the Minister of Finance. MPPs had an opportunity to discuss issues and priorities confronting the province's electricity distributors as well as reviewing a showcase of some of the industry's ongoing activities in Conservation & Demand Management and Smart Metering. The Minister of Energy was on hand to provide remarks. The 'Getting to Know Your Electricity Utility' primer was included in the packages distributed to MPPs during the Queen's Park Reception.

Executive Symposium

Leadership in the Innovation Economy

The EDA's 2010 Executive Symposium was held on October 28th at Toronto's Intercontinental Yorkville Hotel, and provided a prestigious venue to learn from the experiences of three extraordinary high profile executives: Robert Deluce, President and CEO, Porter Airlines; Nitin Kawale, President, Cisco Canada; and Kevin Williams, President, General Motors Canada. The symposium was moderated by EDA Chair, Brian Bentz.

Throughout 2010, EDA representatives spoke on behalf of the Association at a number of energy industry conferences.



ELECTRICITY DISTRIBUTORS ASSOCIATION

Financial Statements

DECEMBER 31, 2010



February 24, 2011

Independent Auditor's Report

To the Members of the Electricity Distributors Association

We have audited the accompanying financial statements of Electricity Distributors Association, which comprise the statement of financial position as at December 31, 2010 and the statements of revenue and expenses and changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Electricity Distributors Association as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

Electricity Distributors Association

Statement of Financial Position

As at December 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash and short-term investments	107,217	7,310,866
Investments (note 3)	6,544,625	-
Accrued interest receivable	4,982	-
Accounts receivable (note 5)	1,085,986	775,748
Prepaid expenses	40,632	32,204
	<hr/> 7,783,442	<hr/> 8,118,818
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	919,595	607,205
GST/HST payable	129,623	68,357
Deferred revenue	1,327,900	1,820,497
	<hr/> 2,377,118	<hr/> 2,496,059
Accrued benefit liability (note 8)	79,457	74,197
	<hr/> 2,456,575	<hr/> 2,570,256
Net assets (note 7)	5,326,867	5,548,562
	<hr/> 7,783,442	<hr/> 8,118,818

Approved by the Board of Directors



Director



Director

Electricity Distributors Association

Statement of Revenue and Expenses and Changes in Net Assets

For the year ended December 31, 2010

	2010	2009
	\$	\$
Revenue		
Local distribution companies dues	2,744,721	2,646,500
Other dues	193,188	195,403
Investment income	265,060	128,015
Administrative and other support	225,630	235,234
Subleased office space	87,060	81,900
Sales and services	101,704	103,470
Seminars, conferences and annual general meeting	287,334	286,654
Other projects	163,579	78,534
Distributions from LDC Tomorrow Fund (note 5)	185,432	194,397
	<hr/> 4,253,708	<hr/> 3,950,107
Expenses		
Payroll and benefits (note 8)	2,369,532	2,135,778
Operating and lease (note 6)	522,350	612,384
Corporate and administration operating	196,867	187,330
Sales, services and communications	63,325	79,536
Seminars, conferences and annual general meeting	177,712	227,665
Advocacy and industry	36,102	36,620
Board and committee meetings	50,925	61,730
Communications and member relations	116,013	56,326
Other projects	414,172	297,704
Projects funded by LDC Tomorrow Fund (note 5)	83,750	24,005
	<hr/> 4,030,748	<hr/> 3,719,078
Excess of revenue over expenses before the following		
	<hr/> 222,960	<hr/> 231,029
Advocacy initiatives (note 7)	(416,972)	(85,612)
Office renovations and computer equipment	(80,000)	(88,385)
Multimedia public relations campaign	(46,001)	-
	<hr/> (542,973)	<hr/> (173,997)
(Deficiency) excess of revenue over expenses for the year		
	<hr/> (320,013)	<hr/> 57,032
Other comprehensive income		
Net unrealized investment losses	(49,036)	-
Net investment gains	147,354	-
	<hr/> (221,695)	<hr/> 57,032
(Decrease) increase in net assets for the year		
	<hr/> 5,548,562	<hr/> 5,491,530
Net assets - Beginning of year		
	<hr/> 5,326,867	<hr/> 5,548,562
Net assets - End of year (note 7)		

Electricity Distributors Association

Statement of Cash Flows

For the year ended December 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
(Decrease) increase in net assets for the year	(221,695)	57,032
Changes in non-cash working capital		
Increase in accounts receivable	(310,238)	(273,465)
Increase in prepaid expenses	(8,428)	(1,177)
Increase in accounts payable and accrued liabilities	312,390	75,915
Increase in GST/HST payable	61,266	3,838
(Decrease) increase in deferred revenue	(492,597)	292,657
Increase in accrued benefit liability	5,260	2,988
Increase in accrued interest receivable	(4,982)	-
	<hr/>	<hr/>
	(659,024)	157,788
Items not affecting cash		
Net investment gains	(147,354)	-
Net unrealized investment losses	49,036	-
	<hr/>	<hr/>
	(98,318)	-
	<hr/>	<hr/>
Net cash (used in) provided by operating activities	(757,342)	157,788
Investing activities		
Sale of investments	6,954,781	-
Purchase of investments	(13,401,088)	-
	<hr/>	<hr/>
Net cash used in investing activities	(6,446,307)	-
	<hr/>	<hr/>
(Decrease) increase in cash for the year	(7,203,649)	157,788
Cash and short-term investments - Beginning of year	7,310,866	7,153,078
	<hr/>	<hr/>
Cash and short-term investments - End of year	107,217	7,310,866
	<hr/>	<hr/>

Electricity Distributors Association

Notes to Financial Statements

December 31, 2010

1 General information

The Electricity Distributors Association (the Association), formerly the Municipal Electric Association, is the association of electricity distribution utilities in Ontario. The Association supports and promotes member effectiveness in satisfying the needs of electricity consumers in the Province of Ontario.

2 Summary of significant accounting policies

The financial statements of the Association have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The more significant of these accounting policies are as follows:

Financial instruments

All investments are classified as available-for-sale (AFS) and measured at fair value.

Changes in fair value of AFS financial assets are recorded directly as changes in net assets until the investment is sold or impaired, at which time the realized gain or loss will be recorded in investment income.

Transaction costs are included in the cost of AFS financial assets on the date of acquisition. Purchases and sales of AFS financial assets are recognized on the date of trade.

Accounts receivable are classified as loans and receivables, while accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost, which approximates fair value due to their short term to maturity.

During 2009, The Canadian Institute of Chartered Accountants Handbook Section 3862 was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 Observable inputs that reflect unadjusted quoted prices for identical investments in active markets

Level 2 Observable inputs other than quoted prices included in level 1 that are directly or indirectly observable

Level 3 Unobservable inputs that are not based on observable market data

The disclosure requirements of the revised standard are included in note 3.

Revenue

Dues revenue is recognized over the annual membership period of January 1 to December 31.

Electricity Distributors Association

Notes to Financial Statements

December 31, 2010

Deferred revenue includes membership dues received prior to the January 1 due date and other funds received during the year for specific future programs.

Property and equipment

Property and equipment acquisitions are charged to operations in the year of acquisition. The amount charged to operations during the year relating to the acquisition of property and equipment was \$94,482 (2009 - \$95,795).

Volunteer services

The work of the Association relies partly on the voluntary services of members. These services are received gratuitously; therefore, no monetary value has been reflected in these financial statements. The volunteers, however, are reimbursed for their direct expenses.

Employee future benefits

The Association participates in a multi-employer defined benefit pension plan, which is accounted for as a defined contribution plan.

The Association provides certain retiree benefits for certain retired employees. The Association accrues the cost of these future benefits over the periods in which the employees earn the benefits. The cost of future benefits earned by employees is actuarially determined using the projected benefit method pro-rated on length of service and management's best estimate of salary escalation, retirement ages of employees and employee turnover. The discount rate used is based on market rates as at the measurement date.

3 Investments

Investments comprise units of pooled funds as follows:

	Fair value
	\$
Short-term bond and mortgage fund	1,324,816
Mortgage fund	924,533
Bond fund	3,470,834
Canadian equity fund	824,442
	<hr/>
	6,544,625
	<hr/>

Electricity Distributors Association

Notes to Financial Statements

December 31, 2010

The estimated fair value of the pooled fund units is determined daily by the pooled fund manager by valuing:

- a) debt securities - bonds at closing prices and mortgages at current interest rate yields for similar mortgage loans; and
- b) equity securities - at closing prices as reported by the principal securities exchange on which the securities are traded.

The pooled fund investments have been classified in level 2 of the fair value hierarchy.

Management has reviewed currently available information regarding investments where the estimated fair values are below their cost (\$78,967) and has determined that, as at December 31, 2010, no investments were impaired.

4 Income tax status

The Association is a not-for-profit organization and, as such, is exempt from income taxes.

5 Related party transactions

The Association is the sole beneficiary of the LDC Tomorrow Fund (the Fund) and exercises control over the Fund by virtue of appointing three of the Fund's five trustees.

The results and financial position of the Fund are not consolidated in these financial statements. A summary of the results and financial position of the Fund is presented below:

	2010	2009
	\$	\$
Total assets	5,838,418	5,658,501
Total liabilities	747,028	567,111
Net Fund balance	5,091,390	5,091,390
Investment and interest income	236,403	241,672
Expenses	(50,971)	(47,275)
Excess of revenue over expenses	185,432	194,397
Fund balance - Beginning of year	5,091,390	5,091,390
Distributions	(185,432)	(194,397)
Fund balance - End of year	5,091,390	5,091,390

Included in total assets are debt securities, which are being held to maturity and are recorded at amortized cost of \$4,876,894 (2009 - \$4,884,051). The estimated fair value of the debt securities is \$5,178,067 (2009 - \$5,112,159). Investment income is recorded on an accrual basis plus (minus) the amortization of the discount (premium).

Electricity Distributors Association

Notes to Financial Statements

December 31, 2010

Included in total liabilities of the Fund are distributions payable to the Association of \$731,901 (2009 - \$556,469).

The following projects were funded through distributions from the Fund:

	2010	2009
	\$	\$
Non-related parties, net	73,750	15,000
Electricity Distributors Association	10,000	9,005
	<hr/>	<hr/>
	83,750	24,005
	<hr/>	<hr/>

During 2009, the Fund's trustees approved project funding of an additional \$35,000, which is contingent on the applicants' securing the remaining funding required to complete the project, without changing the scope of the project.

The Association provides facilities, administrative and staff support to Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). These amounts are recorded by the Association as recoveries of a proportional amount of the shared costs. The net cost to MEARIE for these arrangements for 2010 was \$2,477,067 (2009 - \$1,957,150), of which \$181,263 (2009 - \$158,235) was receivable as at year-end.

The Association provides services management and sponsorship to certain MEARIE Management Inc.'s (MMI) services. The revenue earned by the Association from MMI for 2010 was \$44,000 (2009 - \$35,821), of which \$678 (2009 - \$1,785) was receivable as at year-end.

The Association provides clearing services for MMI. As at year-end, \$161,000 is owing to MMI.

Electricity Distributors Association

Notes to Financial Statements

December 31, 2010

6 Lease commitments

The Association has entered into operating lease agreements for office premises and equipment requiring future minimum annual lease payments as listed below:

	\$
2011	327,221
2012	320,471
2013	288,059
2014	123,123
	<hr/>
	1,058,874
	<hr/>

7 Net assets

Net assets represent the accumulation of revenue collected over expenses incurred.

The board of directors has established the following policies:

Operating reserves

The Association's operating reserves should be maintained at all times at a level sufficient to cover a minimum of one year's operating costs. As at December 31, 2010, the reserve required to cover 2011's operating costs is \$3,088,914 (2010 - \$2,985,650).

Project reserves

These reserves should be sufficient to allow the board of directors to develop new ventures and/or take on major new projects. During 2001, the board of directors authorized expenditures on two new projects: (i) advocacy initiatives; and (ii) property and equipment, to be funded from project reserves.

As at December 31, 2010, the project reserves amounted to \$375,000 (2009 - \$500,000) and \$80,000 (2009 - \$95,000) for advocacy initiatives and property and equipment, respectively.

Any significant draw on the project reserves should be accompanied by a plan by which the project reserves will be replenished within a reasonable time.

8 Employee future benefits

Pension plan

The Association and its employees are presently members of a multi-employer defined benefit pension plan administered by the Ontario Municipal Employees Retirement System (OMERS), which covers about 400,077 employees and almost 928 employers. The most recent actuarial valuation of OMERS as at December 31, 2009 indicates an actuarial deficit of \$1,519 million.

Electricity Distributors Association

Notes to Financial Statements

December 31, 2010

During 2010, the Association paid contributions of \$335,436 (2009 - \$274,422) to OMERS on behalf of Association employees, which is included in payroll and benefits.

Accrued benefit liability

The Association provides certain retiree benefits for certain retired employees. Information about this defined benefit plan is as follows:

	2010	2009
	\$	\$
Accrued benefit liability recognized as at January 1	76,252	73,150
Expense for the year	5,260	5,043
Benefits paid during the year	(2,055)	(1,941)
	<hr/>	<hr/>
Accrued benefit liability as at December 31	79,457	76,252
Less: Current portion included in accounts payable and accrued liabilities	2,176	2,055
	<hr/>	<hr/>
	77,281	74,197
	<hr/>	<hr/>

The accrued benefit liability is not funded, as funding is provided when benefits are paid.

The main actuarial assumptions employed for the valuation are as follows:

a) General inflation

Future general inflation levels, as measured by changes in the consumer price index, were assumed at 2.3% (2009 - 2.3%).

b) Interest (discount) rate

The accrued benefit liability as at December 31, 2010 and 2009 and the expense for the years then ended were determined using a discount rate of 4.5%.

c) Salary and wage levels

Future general salary and wage levels were assumed to increase at 2.0% (2009 - 2.5%) per annum.

Electricity Distributors Association

Notes to Financial Statements

December 31, 2010

9 Financial risks

The Association is subject to the following financial risks:

Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Association's market risk, with respect to its pooled fund investments, is affected by changes in the level or volatility of market rates or prices such as interest rates, foreign currency exchange rates and equity prices.

Currency risk

All investments held by the Association are denominated in Canadian dollars and, as a result, the Association is not exposed to direct currency risk. The Association is exposed to indirect currency risk to the extent the pooled funds hold financial instruments denominated in foreign currencies.

Interest rate risk

The Association is exposed to indirect interest rate risk to the extent the pooled funds hold interest rate sensitive financial instruments.

As at December 31, 2010, based on the pooled funds' weighted duration of debt securities, if the prevailing interest rates had been raised or lowered by 1%, the value of the debt securities would have decreased or increased, respectively, by approximately \$271,020.

Other price risk

Other price risk arises when the fair value of the Association's investments fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk). The Association is exposed to other price risk by virtue of its investment in a pooled equity fund. If the fair values of the pooled fund investments increased or decreased by 10%, with all other variables held constant, the impact on the net assets available for benefits on those funds would be as follows:

As at December 31, 2010, if the equity markets had increased or decreased in value by 10%, the value of the equity securities would have increased or decreased, respectively, by approximately \$83,000.

Liquidity risk

Liquidity risk is the possibility that the investments cannot be readily converted into cash when required. The Association's pooled fund investments represent, on average, 0.1% of the total fair value of the pooled funds in which the Association invests. The Association's agreement with the pooled fund manager is such that the Association may demand liquidation of its investments at any time and the pooled fund manager is required to settle such liquidation demand within three business days. In accordance with securities regulations, the pooled fund manager is required to maintain at least 90% of each pooled fund's assets in liquid investments.

Electricity Distributors Association

Notes to Financial Statements

December 31, 2010

Credit risk

Credit risk is the risk that a party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Association is exposed to direct credit risk on its cash and investments and accounts receivable balances. The total credit risk exposure as at December 31, 2010 is \$7,742,810 (2009 - \$8,086,614). The Association's cash and investments comprise deposits with its pooled fund manager. Accounts receivable of \$1,085,986 (2009 - \$775,748) include balances of \$987,910 (2009 - \$716,489) from related parties, as described in note 5.

The Association is indirectly exposed to credit risk by virtue of its investments in pooled bond and mortgage funds, as described in note 3.

Recognizing the Achievements of Ontario's Electricity Distributors - EDA Annual Awards

There is a long tradition of excellence and achievement in Ontario's electricity utility industry. The annual presentation of the EDA's Awards ensures that excellence is not only recognized, but celebrated as it so richly deserves. The EDA's Industry Awards were presented at the Annual Meeting on March 29, 2010.

Enersource Hydro Mississauga - EDA LDC Performance Excellence Award, Sponsored by Ontario Power Generation

This award is given to an LDC member that has distinguished itself among its peers and achieved a significant level of performance excellence in the current operating environment. Enersource Hydro Mississauga demonstrated notable performance excellence – from its operations, social responsibility, and its superior performance in health and safety to its financial performance and success in delivering CDM and renewable energy programs.

Powerstream Incorporated - EDA Environmental Excellence Award

PowerStream Incorporated was recognized for their efforts to protect and improve the environment. From vehicle emission and waste diversion initiatives, to LEED® standard buildings and innovative employee programs, PowerStream demonstrated their commitment to environmental excellence and the company's philosophy of "Go Green with PowerStream."

Brantford Power Incorporated - EDA Innovation Award, Public Relations

The EDA Innovation Award, Public Relations category, was awarded to Brantford Power Incorporated for their 'Greening the Village' Solar Generation Initiative. Each year, close to 10,000 Brantford-area children - elementary school students, Brownies and Girl Guides, Cubs and Scouts, church groups and day camps – visit the Children's Safety Village of Brant. The initiative is a model of the collaborative work between local not-for-profit agencies, the community college and the local distributor.

Toronto Hydro - EDA Innovation Award, Customer Service

Toronto Hydro was recognized for their highly successful 'Get Smart Toronto' campaign in support of the roll out of Time-of-Use pricing. Toronto Hydro was the first North American utility to roll out mandatory Time-of-Use rates in a major urban market. Toronto Hydro created a time sensitive, integrated communications plan utilizing advertising, public relations, media relations, government relations, direct mail, online and web communications.

Tim Wilson, Vice President, Customer Service & Conservation, Thunder Bay Hydro, the EDA Foreign Study Tour Award

The first recipient of the Foreign Study Tour Award was Tim Wilson, Vice President of Customer Service and Conservation at Thunder Bay Hydro and outgoing Chair of the EDA's CDM Caucus. The EDA Foreign Study Tour Award recognizes the efforts and contributions of an EDA-member LDC employee for their high level of participation in Association Councils and/or committees and working groups.



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