



2019 Annual Report to OREC Members

At the 2018 AGM we had \$6,950,000 in Preference Share equity, 733 members 17 operational projects and 1.7 MW of generation capacity. As of August 31, 2019, we had paid down the first round of Preference Share equity for Class A, Series 1 Pref shareholders (\$6,884,933 Preference Share equity), increased our membership to 765, had 19 operational projects with 2.232MW of OREC generation capacity, with 2 additional net-metering projects under construction.

Highlights of the Past Year

OREC was able to complete two projects this year, a 215 Kw rooftop project on the Canadian Museum of Science and Technology, as well as a 500-kW ground-mount site in Hawkesbury, ON. The Co-op was able to complete these without raising new capital, as the construction was financed from cash obtained through operations and previous offerings. Therefore, there was no need to activate the Offering statement approved in late 2018. The Museum of Science & Technology project is our first net-metering installation; while government regulation changes in 2018 caused delays (we had to renegotiate the contract as a lease); the system was installed on budget (July 3, 2019) and is operating as planned. The Hawkesbury project was also built on time (connected January 18, 2019) and on budget, it has also been operating as expected. The ownership changes, however, did take longer and were more complicated than expected, but is now fully resolved; thank you Nick and the Finance Committee for your hard work on that file.

Portfolio Resilience

Weather caused us considerable grief throughout the year. The September tornado affected all our sites in the west and south of Ottawa. The Dunrobin and Smith Farm projects each suffered limited panel damage (which were fixed within 10 days), and eight other sites were shut down by the grid for a short period (1/4 to 2 days each). Ottawa was hit with an early snowfall (November 15), which did not melt till April 1. This particularly impacted our flat roof installations and the Dunrobin site.

Operationally, we had inverter challenges at the Franco Cite and Maurice-Lapointe sites, while the Alfred and Hawkesbury projects were each shut for a period due to a planned Hydro One outage. Nate Preston will give a detailed description of our generation over the year.

The provincial government was unhelpful this past year. In mid-2018, we were told that 4 of our FIT contracts would be cancelled because they had not reached the notice-to-proceed stage; we have still not received reimbursement for valid expenses incurred. On two of the sites, new net-metering projects were planned, however we then were confronted with a regulatory issue which has been resolved. We are now proceeding with the Conseil des Écoles catholiques du Centre-Est to build net-Metering projects at the Paul-Desmarais and Mer Bleue schools. The expenses incurred in 2018-19 can be applied to the final construction.

Another provincial regulatory challenge has been the fact that the government has still not allowed third-party net-metering; meaning OREC can only operate on an equipment Lease basis. These changes have caused us to renegotiate the Museum project twice! Furthermore, the province does not presently have a mechanism to purchase renewable energy, nor has it allowed virtual net-metering.

Even with the delays and the weather issues OREC was able to generate a profit of \$149,000 and the board has approved a dividend of 2.25% for Preference Shareholders as of November 25th, 2019. Over the last 6 years we have paid an average dividend return of 3.6%. In December of 2019 we will be making our second capital repayment to Class A, Series 2 Preference Shareholders.

Operations

In 2018 the CoEnergy Ontario Cooperative was created to provide energy retrofit and other services that OREC is not allowed to offer. Therefore, for the past year, the forward-looking work that OREC had previously been investigating, was done by CoEnergy.

For the past year CoEnergy and OREC have shared the same staff and board. This was deemed necessary as OREC had incubated CoEnergy and it was important to maintain the corporate memory, expertise, and relationships. There is a Memorandum of Understanding between the organizations whereby it is agreed how costs and staff will be shared. At the end of August, CoEnergy owed OREC \$96,333 under the terms of the Memorandum; as of December 9, 2019, this has been paid in full. There is still a \$20,000 loan outstanding with CoEnergy. OREC will continue to consider appropriate ways to support CoEnergy through its developmental phase; possibly through a formal long-term preferred share or loan instrument of up to \$150,000 in CoEnergy.

While the Boards of OREC and CoEnergy are the same, each organization operates a separate board meeting. Procedures have been instituted to ensure that the signing authorities are different when conducting inter-cooperative agreements. We have been very careful to ensure that issues are discussed openly and transparently between the organizations.

OREC is managed by a board of 14 members, with executive and finance committees. The staff (with select board participation) handles business development and project management. During the year Angela Keller-Hertzog had to step down from the board as she was a candidate in the federal election. Wes Johnston also had to step down due to work commitments. Sally McIntyre is stepping down at the AGM due to new work commitments. Roger Peters will not be standing for the new OREC board. We thank all the retiring board members for their dedicated work over the years and especially Roger who has been with OREC since the founding.

Staff

Until August, the General Manager of the co-operative was Janice Ashworth. She is now on a temporary leave of absence while working on the City of Ottawa's Climate Change Master Plan.

The Director of Communications is Aaron Thornell. With Janice's departure, he has taken on additional sales and operational responsibilities.

Technical services have been provided by Eric Gladu and Peter Manson (contract). Vadim Belotserkovsky worked with us till August, then took a short leave of absence, and is now back managing the CECCE projects.

In July, OREC and CoEnergy each went through a cost reduction exercise where staff hours and expenses were reduced. Individual board members had taken a more active role in the day to day operations of the Cooperative; specifically, in the areas of daily financial oversight, project acquisition, client management and financial planning. In the coming year we will be executing our plans with a emphasis on support from active directors and members.

Karen Foubert (accounting), Iler-Campbell (legal) and the Frouin Group (audit) provide a range of contract services.

Future & Growth

Going forward, our focus will be to optimize operations of solar assets and investigate new opportunities with similar risk profiles.

Our first objective is to build the Mer Bleue and Paul-Desmarais school net-metering projects. We now have sufficient working capital to fund most of the construction. However, we plan to issue a new offering valued larger than the CECCEC requirements; this will provide us the flexibility to execute on good opportunities that may present themselves.

Efficiency, and most net-metering projects, will be executed by CoEnergy. OREC will focus on being an efficient solar operator.

OREC plans for 2019-20:

- Grow membership marginally;
- Construct the Paul-Desmarais and Mer Bleue sites in partnership with the CECCEC school board;
- Investigate any 'similar risk' projects that become available
- Make our third equity repayment to holders of Class A series 1 and 2 Preference Share investors.
- Provide cooperative assistance to CoEnergy at minimal risk

OREC will hopefully evolve into a dividend and capital repayment machine, while CoEnergy will take on the forward-looking efficiency & net-metering projects, and member services; effectively becoming OREC 2.0.

Notes

- Until December 31, 2019 there is no cost for OREC members to join CoEnergy. We welcome all present OREC members to join CoEnergy for free.
- Occasionally Preference Shares come available from members, we maintain a list of interested buyers. Let Aaron know (aaron.thornell@orec.ca) and he will add you to the list if you are interested.

