



2015 ANNUAL REPORT

ABOUT US

EfficiencyOne is a leading efficiency expert. We believe in the power of efficiency to change lives, and we work with a number of outstanding partners to transform how our customers use energy and other resources. In Nova Scotia, EfficiencyOne supplies cost-effective electricity efficiency and conservation services through the Efficiency Nova Scotia franchise. EfficiencyOne Services was established in 2015 to bring our experience and expertise to more people and places.

Welcome to our 2015 Annual Report.

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2015 LETTER FROM OUR BOARD CHAIR



To Nova Scotians,

We are at a tipping point in our thinking and action on climate change. Two hundred countries have agreed to limit increases in global temperature to below 2°C.

Much of the conversation to date has revolved around renewables, but reaching the internationally agreed 2°C target also requires a strong focus on energy efficiency. It is the fastest and cheapest way to reduce greenhouse gas (GHG) emissions.

In energy efficiency, Nova Scotia stands out as a leader. We've already reduced our electricity use by eight per cent. About 40 per cent of Nova Scotia's GHG emissions originate from electricity use, so this progress is notable.

This puts EfficiencyOne at the table with other international experts. Nova Scotia is the only Canadian representative contributing to the International Energy Agency (IEA) Demand-Side Management (DSM) Programme, an international collaboration of 16 countries and sponsors working together to promote opportunities for demand-side management.

The group visited Nova Scotia to take part in our 2015 Bright Business Conference, and to learn from our innovative industry. Nearly a full page of the Agency's 2015 Market Report was devoted to highlighting Nova Scotia's impressive achievements to an international audience.

At home, our leadership has not gone unnoticed. In Alberta's Climate Leadership report, Nova Scotia's model, built on EfficiencyOne's role as Canada's only independently governed and regulated energy efficiency utility, was named as an example to follow.

Hundreds of thousands of Nova Scotian families and businesses are making meaningful changes to save money, create opportunity and contribute to the health of their communities and the planet. More than 100 businesses are growing an industry that is a significant employer and contributor to the Nova Scotian economy and an emerging player in the global energy efficiency and resource conservation marketplace. At EfficiencyOne, we are proud of our role in supporting their made-in-Nova Scotia success stories.

We're ready to help Nova Scotians go deeper in getting even more value from the energy they use and in reducing energy waste. And, with our partners, we're ready to unleash the power of efficiency in other markets, to help others emulate Nova Scotia's impressive example.

The tipping point at which the world has arrived on climate change calls for leadership from those with a track record of achievement in changing lives by unleashing the power of energy efficiency. EfficiencyOne and its partners are ready to answer the call by making Nova Scotia's nation-leading success in energy efficiency the foundation for economic, social and environmental opportunity in and beyond Nova Scotia.

William (Bill) Lahey,

A handwritten signature in black ink that reads "Lahey".

Chair of the Board of Directors

2015 LETTER FROM OUR CHIEF EXECUTIVE OFFICER



Since 2011, Efficiency Nova Scotia has set ambitious targets to save energy. But our goal has never been to simply save energy; we aim for something much bolder – changing lives, and transforming our world, through the power of efficiency.

Last year, I was given the opportunity to lead the organization into its next, exciting chapter, as CEO of EfficiencyOne. I was thankful then, and I remain thankful today, to have the opportunity to work with a team of exceptional staff and partners to help unleash the power of efficiency, and to contribute to a better world by doing it.

As I reflect on our achievements together in 2015, these are the things of which I'm most proud:

+ We achieved our targets for the fourth year in a row, and we did it on budget. That adds up to **\$110 million** in power bill savings for all Nova Scotians, a number that will grow to **\$180 million** by 2020.

+ Working with stakeholders, we received approval for a three-year, **\$102 million** investment in electricity energy efficiency that will ensure Nova Scotia's continued leadership in the industry and prevent more than **3.6 million tonnes** of GHG emissions over the next 18 years.

+ We continue to push ourselves to improve our service to customers, whether offering more choice and flexibility to our more

than **8,000** small business customers, or introducing new, bundled incentives to help homeowners maximize the savings from their energy efficiency investment. It's this drive to continuously improve that has allowed us to achieve an **88%+ customer satisfaction** rating for the 5th year in a row.

+ And, we've made energy costs more affordable for over **1,300** income-qualified households.

These achievements are a credit to the incredible professionals at EfficiencyOne, who come to work every day looking to contribute to a better world, and whose passion and dedication to our customers and partners continues to inspire me.

But these achievements are not ours alone. They belong to all Nova Scotians, and to our partners, who do incredible work all across the province. This report is evidence of their commitment and the strength of Nova Scotia's energy efficiency industry.

It's on this remarkable record that EfficiencyOne has been established. In 2016, we want others to discover what Nova Scotia has experienced first-hand. We also want to continue to lead by example here at home by helping more families and businesses discover the benefits of efficiency. As hard as we have worked to date, we will have to work even harder to achieve the goals we've set out for ourselves over the next year. Our organization is up for the challenge, and we want you to be part of it.

Stephen MacDonald,

A handwritten signature in black ink, appearing to read "Stephen MacDonald".

Chief Executive Officer



OUR BOARD OF DIRECTORS



WILLIAM (BILL) LAHEY, BA, BA (JURIS), LLM CHAIR OF THE BOARD OF DIRECTORS

William Lahey has recently been appointed as the next President and Vice-Chancellor of the University of King's College and will be the university's 25th president commencing on July 1, 2016. He is currently an Associate Professor at the Schulich School of Law at Dalhousie University. Bill's diverse legal career started with clerking for the Supreme Court of Canada. Since then he has worked in private and government legal practice as well as academe, and served as an Assistant Deputy Minister of Health and as a Deputy Minister of Environment and Labour for Nova Scotia. He is also the Chair of the Nova Scotia Health Research Foundation and of the Board of Directors of the Canadian Centre for Ethics in Public Affairs, and a member of the Nova Scotia Barristers' Society.



RAYMOND CÔTÉ, BSC, MSC

Raymond Côté is Professor Emeritus in Resource and Environmental Studies at Dalhousie University. He has served the Province of Nova Scotia on numerous boards, committees and round tables. He has been a columnist on business and environment for the Burnside News for 21 years. From 1998-2008, Raymond was Director of Dalhousie's award-winning Eco-Efficiency Centre. He has 40 years of experience in environmental management as a regulator, administrator, advisor, researcher, teacher and consultant.



BRENDAN HALEY, BSC, MES, PhD

Brendan Haley is a clean energy economy researcher currently involved in projects related to Canada's digital economy and clean innovation policy. He recently completed his PhD in Public Policy, which examined the transition to a low-carbon economy from innovation policy and Canadian political economy perspectives. He previously worked at the Ecology Action Centre, and played an important role in the development of Nova Scotia's energy efficiency framework. He also holds a Master's in Environmental Studies from York University and a B.Sc. in economics from Dalhousie University.



HECTOR JACQUES, OC, MENG, DCOMM (HON.), PENG, FEIC, DLAW (HON.)

Hector Jacques is a well-known name in Canadian engineering and a founding partner of Jacques Whitford and Associates Ltd. Set up in 1972 to offer earth sciences expertise to the Atlantic region, the company grew under his direction as CEO into an international operation with 45 offices employing 1,700 professionals worldwide. It was sold to Stantec in 2009 when he retired. Hector has received high-profile awards and recognition for his contribution to the engineering and business communities, including being made an Officer of the Order of Canada in 2007. He sits as a director on several boards.



JACK KYTE, BSC

Jack Kyte is a communications and public relations professional with over 35 years as an executive in Nova Scotia's pulp and paper industry. He is currently the Executive Director of the Pictou County Chamber of Commerce and is past Executive Director of the Pictou Regional Development Agency. Jack resides in New Glasgow, Nova Scotia, and his personal interests are related to health care, environmental stewardship and community economic development.



CAROL MACCULLOCH, BCOMM, MA

Carol MacCulloch has vast experience as a not-for-profit executive and director. She is currently serving as Board Chair of the Nova Scotia Apprenticeship Agency. Her expertise has helped several start-up organizations, and her leadership has energized a series of quasi-governmental organizations, advisory committees, and not-for-profit boards. In 2009, Carol received an honorary diploma from the Nova Scotia Community College.



JOAN MCARTHUR-BLAIR, BA, MED, EDD

Joan McArthur-Blair, Co-President of Cockell McArthur-Blair Consulting, is a writer, speaker and facilitator. After more than 25 years of institutionally-based work as an educator, in roles from faculty to President, she has returned to her love of writing, speaking and facilitating, and works with groups of all kinds to make a positive difference. Joan specializes in the use of Appreciative Inquiry to foster leadership, strategic planning and innovative strategies for organizational development. She also provides short-term leadership through executive-to-go services. She published, "Appreciative Inquiry in Higher Education: A Transformative Force" with Dr. Jeanie Cockell and is currently authoring "Appreciative Resilience."



SEAN O'CONNOR, BCOMM, CPA, CA

Sean O'Connor is a businessman with interests in several small and medium-sized businesses in Atlantic Canada. An accountant by training, he has held senior positions in the private and public sectors. Sean sits on the boards of a number of private and non-profit organizations and is Chair of the Atlantic Lottery Corporation.



DAN O'HALLORAN, MSC, PENG

Dan O'Halloran, with close to 50 years of professional engineering, management and business experience, has been involved in a wide range of projects in Atlantic Canada and further afield. He is a founder of O'Halloran Campbell Consultants, and a former Fellow of the Canadian Society for Civil Engineering, the American Society of Civil Engineers and the Institution of Civil Engineers. He has experience with several boards and advisory groups.



MICHELE WOOD-TWEEL, FCPA, FCA

Michele Wood-Tweel has more than 30 years of experience in the accounting profession and she is the Vice-President, Regulatory Affairs at CPA Canada. Always active in the community, she has served on many boards and is currently Vice-Chair of the Board of Governors of Sacred Heart School of Halifax. Michele is a past Chair of the Board of Governors of Saint Mary's University and was recognized with an Honorary Doctorate of Civil Law in 2015.

2015 ENERGY SAVINGS

Residential Electrical Energy Savings

LED Holiday Light Exchange	0.1 GWh
Green Heat*	2 GWh
Appliance Retirement	3 GWh
Rental Properties and Condos Service	3 GWh
New Home Construction	4 GWh
Home Energy Assessment	5 GWh
Instant Savings	10 GWh
Residential Direct Install	16 GWh
Home Energy Report	27 GWh
RESIDENTIAL SUBTOTAL	70 GWh

*In early 2015, Efficiency Nova Scotia incorporated its solar program into Green Heat.

Business, Non-Profit & Institutional Electrical Energy Savings

Energy Management Info Systems	4 GWh
Business Energy Solutions	7 GWh
Custom	21 GWh
Business Energy Rebates	36 GWh
BUSINESS, NON-PROFIT, INSTITUTIONAL SUBTOTAL	68 GWh

TOTAL ELECTRICAL ENERGY SAVINGS	138 GWh
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Notes:

- Totals may not add due to rounding
- Results reflect 2015 evaluated electrical energy savings and 2015 tracked non-electrical energy savings.

Non-Electrical Energy Savings

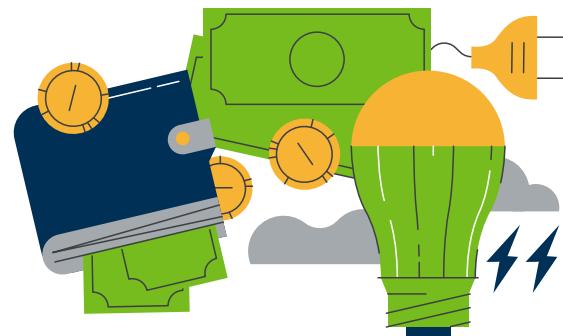
Residential Solar	100 GJ
Solar City	1,200 GJ
New Homes	5,200 GJ
MURB Common Areas	6,600 GJ
Low Income	52,000 GJ
Existing Houses*	79,200 GJ
TOTAL NON-ELECTRICAL ENERGY SAVINGS	144,300 GJ

*Existing Houses includes Home Energy Assessment, Non-Low Income Residential Direct Install, and Non-Low Income Multi-Unit Residential Building (MURB) Direct Install. The remaining portion of savings from the residential MURB service is included in Low Income, along with Low Income Residential Direct Install and HomeWarming.



2015 PERFORMANCE

Our organizational scorecard sets targets and tracks performance in several key areas. Targets are set to challenge the organization to perform at a high level, and align with targets set by the Nova Scotia Utility and Review Board and our contract requirements with the Province of Nova Scotia.



CATEGORY

Financial and Energy Savings

MEASUREMENT	DSM ¹	PNS ²
Expenditures remain within funding limits	≤ Budget 2015 Target  2015 Result -17.9%	≤ Budget 2015 Target  2015 Result -21.8%
Organizational unit cost (cost per unit of energy saved) is achieved	 2015 Target  2015 Result \$0.322 /kWh \$0.232 /kWh	 2015 Target  2015 Result \$115.24 /GJ \$103.81 /GJ
Energy savings achieved from programs and services	 2015 Target  2015 Result 121.2 GWh 137.9 GWh	 2015 Target  2015 Result 143,669 GJ 144,316 GJ

¹ Demand Side Management or DSM refers to programs that promote and manage efficient use and conservation of electricity. This work is funded through electricity rates.

² The Province of Nova Scotia or PNS funds programs that promote or manage efficient use and conservation of non-electric fuels, like home heating oil.



CATEGORY Customer

Average overall customer satisfaction score based on 10 key metrics

88%
2015 Target

88%
2015 Result

CATEGORY

Process

Cycle time efficiency: on time processes programs / services**	100% 2015 Target	87% 2015 Result
Process improvements implemented	95% 2015 Target	100% 2015 Result



**This NEW metric is an aggregate measure of 10 key processes in which cycletime is an appropriate metric; the organization is piloting its ability to meet its cycletime standards for on time delivery of both internal and external processes.

CATEGORY

People



Building capacity: successful completion of planned training and development	2015 Target	2015 Result
Safety: COR audit compliance	95%	96%
On Time Hiring	96%	97%
Retention and engagement: one-year employee retention rate	90%	100%

2015 FINANCIAL ANALYSIS AND DISCUSSION

Our financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Overview

2015 was the first year of financial reporting for EfficiencyOne, hence there are no prior year comparisons. On January 1, 2015, Efficiency Nova Scotia Corporation transferred all assets, liabilities, and contributions - with the exception of the Demand Side Management Fund (DSM Fund) HST Receivable - to EfficiencyOne, the first franchise holder.

The Commitment Fund

In our 2015 financial statements, the Commitment Fund reflected the amount of customer incentives that EfficiencyOne may be required to pay in the future to Nova Scotians who enrolled in efficiency services in 2015. These commitments are recognized as accrued liabilities. In 2015, the total commitments were \$7.7 million. Commitments are tied to the following services offered by EfficiencyOne: Home Energy Assessment, New Home Construction, Business Energy Rebates (mail-in portion) and HomeWarming.

Our Revenues

EfficiencyOne has three revenue sources, represented in our financial statements as three distinct "funds": the Demand-Side Management Fund (DSM fund), the Provincial Fund and the Other Business Fund.

The Demand-Side Management Fund (DSM Fund)

In 2015, EfficiencyOne received \$35.0 million from Nova Scotia Power under a fee-for-service agreement to support electricity efficiency services as approved by the Nova Scotia Utility and Review Board (UARB). Of this funding, \$3.0 million has been deferred and will be used to fund expenditures in future years. The amount collected from NSPI in future years will be reduced by this amount.

The Provincial Fund

In 2015, EfficiencyOne received \$12.8 million from the Province of Nova Scotia under a fee-for-service agreement to support non-electricity efficiency services. An additional \$2.2 million, received but unspent in previous years, was used to offset expenses in 2015.

The Other Business Fund

The Other Business Fund was used to account for business activities outside of EfficiencyOne's agreements with Nova Scotia Power for DSM services and the Province.

Note: Our 2015 financial statements are available in Appendix A.

Our Expenditures

The chart on the right provides a breakdown of how each dollar invested in energy efficiency was spent in 2015. It includes spending on both electric and non-electric efficiency services.

Approximately 77 cents of every dollar was directly spent on programs in 2015. This includes spending on customer incentives, as well as compensation for staff who work directly on programs.

Accountability and Oversight

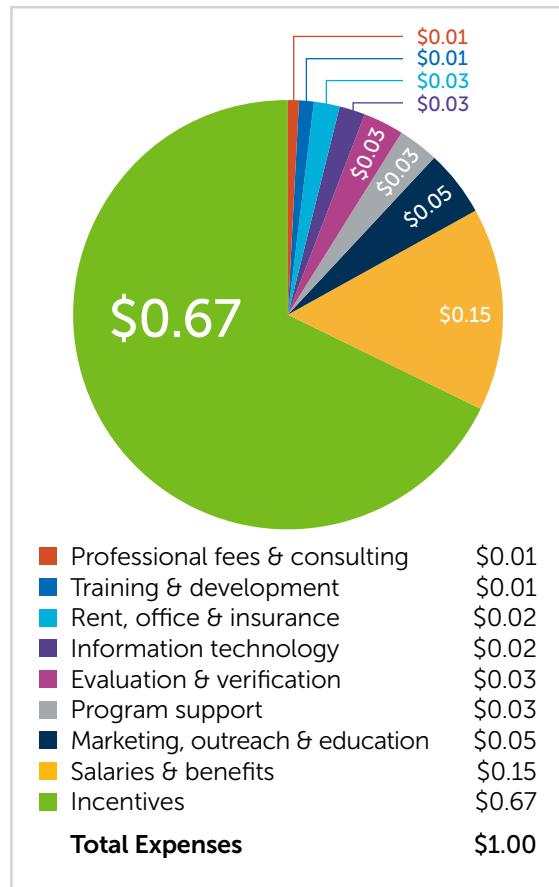
EfficiencyOne has a number of controls and processes in place to ensure transparency and oversight of costs.

Electricity efficiency services are regulated by the UARB. The UARB approves electricity efficiency plans, which outline the overall investment in electricity efficiency services and the corresponding savings for ratepayers. EfficiencyOne files publicly-available, quarterly reports with the UARB outlining electricity efficiency spending and activity.

Non-electric efficiency services are directed by a fee-for-service agreement with the Province.

EfficiencyOne provides quarterly and annual reports to the Province on non-electric efficiency spending and activity.

To further increase the transparency and accountability of spending and other activity, EfficiencyOne is subject to a number of independent, third-party audits and evaluations. These are summarized in the table on the right:



OVERVIEW

Independent Audits and Evaluation

Financial Statement Audit	Ensures financial statements are free of material misstatement
Cost Allocation Audit	Ensures just and reasonable allocation of costs between electricity efficiency and non-electric efficiency services
Program Evaluation	Ensures effectiveness of EfficiencyOne's program design and delivery, and that energy savings are measured accurately
Program Verification	Verifies that efficiency projects were implemented effectively and that energy savings are correctly measured
Other Audits & Evaluations	Examine EfficiencyOne's organizational practices and internal control systems

2016-2018 STRATEGIC PLAN

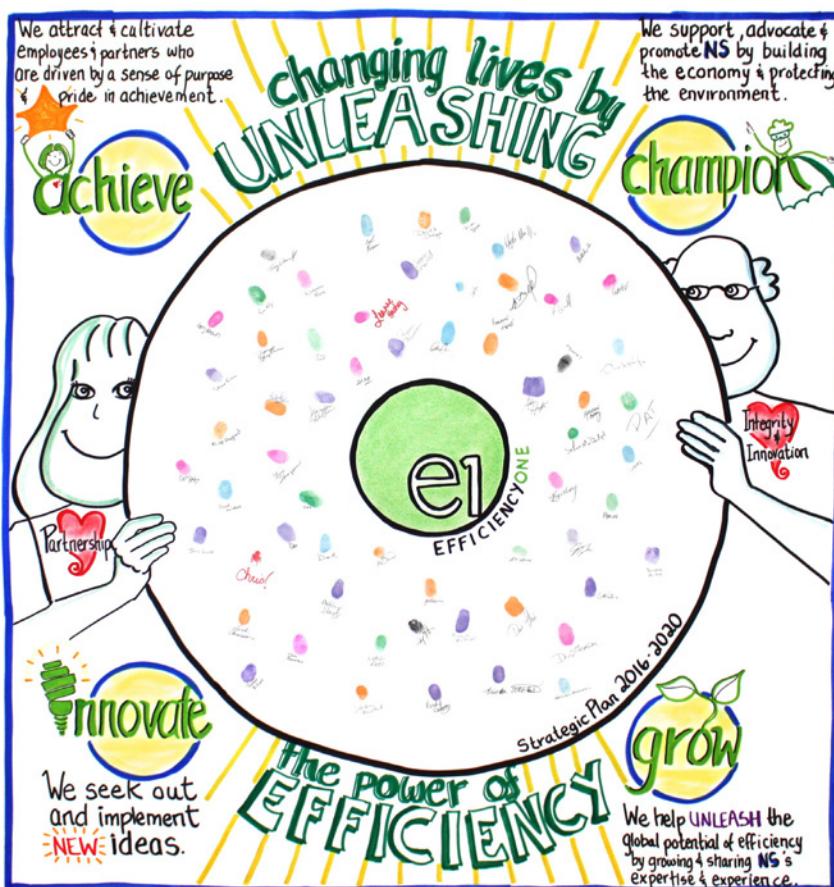
In June 2015, our Board of Directors approved EfficiencyOne's first strategic plan. The plan was built collaboratively with our many stakeholders who – like you – have contributed to Nova Scotia's leadership in energy efficiency.

Through surveys, group brainstorming sessions and one-on-one conversations, your feedback helped shape our plan for the future.

While we heard from a broad range of stakeholders, your direction was resoundingly clear: build upon and expand Nova Scotia's leadership in efficiency for the benefit of Nova Scotians.

Thank you for taking the time to share your vision for efficiency with us. While we are extremely proud of our achievements to date, we know there is even greater potential ahead.

Visit our website (efficiencyone.ca) to view our **2016-2018 Strategic Plan** and to learn how we're putting your feedback into action in our **2016 Business Plan**.



Our Purpose

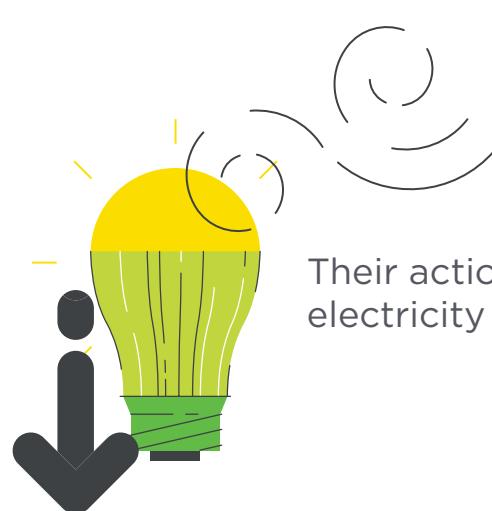
Changing lives by unleashing the power of efficiency.

Our Values

INTEGRITY	Deliver on our commitments.
INNOVATION	Always improve.
PARTNERSHIP	Foster successful relationships with all stakeholders.

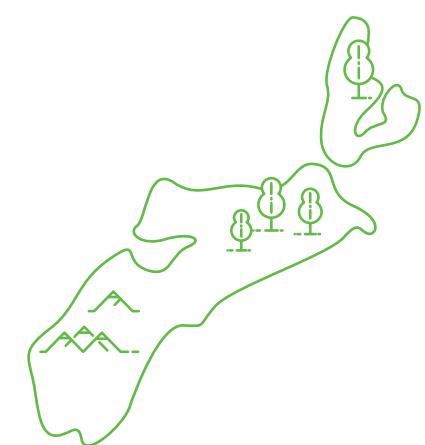
Our Strategic Priorities

ACHIEVE	We attract and cultivate employees and partners who are driven by a sense of purpose and pride in achievement.
INNOVATE	We seek out and implement new ideas.
CHAMPION	We support, advocate and promote Nova Scotia by building the economy and protecting the environment.
GROW	We help unleash the global potential of efficiency by growing and sharing Nova Scotia's expertise and experience.



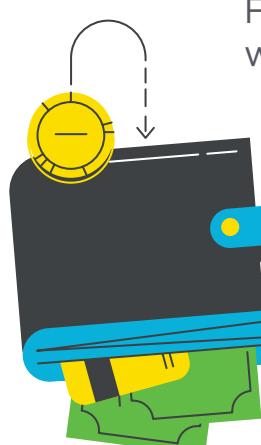
Over
36,000

Nova Scotians contacted us
to reduce their impact on our planet.



Their actions reduced Nova Scotia's
electricity use by

1.2%



\$110 million

on our power bills. Annually.

Energy efficiency employs

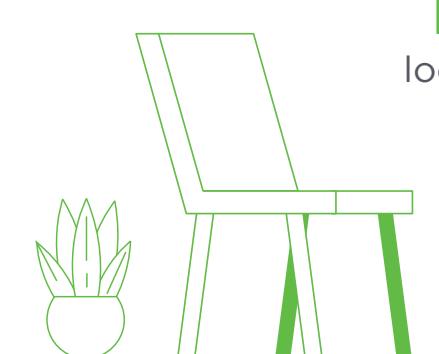
1000

Nova Scotians in stable, full-time jobs.



We worked with over

100
local partners.



Completing more than

30,000

energy efficiency projects.



Here are just a few.

"I could never afford this if I lived to be 100. Be thankful to God there is such a thing when you're low income."

- Annie MacAskill, Cape Breton



HOMEWARMING PROGRAM

Annie MacAskill used to sleep close to her oil stove to keep warm at night. After receiving no-cost upgrades like attic and wall insulation through the HomeWarming program, she slashed her oil bill in half and dropped her power bill by \$50 a month.

GOODLEAF FARMS

GoodLeaf Farms is saving over \$37,000 each year after working with us to install LEDs optimized for their indoor, hydroponic grow-op for leafy greens like spinach and lettuce. These specialized lights only emit blue and red wavelengths, providing a purple glow.



"Our technology is on the cutting edge of plant science. It was great to have a group that was able to work with us on an individual basis and understand what we were trying to accomplish."

- Greg Veinott, Manager Business Development, GoodLeaf Farms



"The ideas and initiatives come from the students. We brainstorm what we'd like to do then we move ahead with those ideas to make our school a greener place."

- Kim Bain, Green Team Leader, New Glasgow Academy

GREEN SCHOOLS NOVA SCOTIA

In 2015, we worked with 146 schools across the province to teach students about energy efficiency and promote other environmentally sustainable behaviours.



CAPE BRETON UNIVERSITY

Cape Breton University is set to be the first North American university to be energy self-sufficient and carbon neutral. Some of the work they've completed to date includes a retrofit of the university's ice rink, compressor heat recovery systems, energy-efficient water treatment system and improved interior and exterior lighting. They're now on track to save over \$130,000 each year in electricity costs.



Learn more about our 2015 year, meet some of our customers, and test your efficiency knowledge at efficiencyone.ca/2015

“In the long-term, it allows us to be a sustainable company, in a market that’s growing in leaps and bounds.”

– Blaire Martell, Owner, Lobsters ‘R’ Us



LOBSTERS ‘R’ US

Every year since 2012, Lobsters ‘R’ Us has implemented large-scale efficiency projects. They’ve now automated 100% of their plant – recording, controlling and documenting all operations and energy consumption. This has improved their efficiency by more than 33%.



“The school certainly wouldn’t be as efficient without Efficiency Nova Scotia’s participation. It was very, very welcome.”

– Chief Terry Paul, Membertou First Nation

MEMBERTOU FIRST NATION

Membertou First Nation’s new elementary school has energy saving features expected to trim annual electricity costs by \$70,000. Through our New Construction program, energy efficient technologies were incorporated into the building plans for the new school that exceeded the energy code baseline by 60%. Technologies included an open-loop ground source heat pump, improved insulation, low flow faucets, more efficient light fixtures and occupancy sensors.



“By guiding non-profits through the process of using their energy better, we’re allowing them to continue focusing on the services they provide while also reducing their energy costs.”

- Emma Norton,
Program Coordinator,
Ecology Action Centre

ECOLOGY ACTION CENTRE

In 2015, we supported the Ecology Action Centre’s work with 15 non-profit organizations, like SHYFT, to identify and implement the right energy-saving projects for their organizations.

ENERGY EFFICIENCY & RENEWABLE ENERGY COURSES

In 2015, we teamed up with Saint Mary’s University and Dalhousie University to offer a course on Energy Efficiency and Renewable Energy. The course fosters a culture of energy awareness and provides students with the practical understanding of how energy efficiency and renewables are delivered in the province and abroad.

“This course offered a window into aspects of the industry I was not very familiar with. After completing this course, I feel more prepared for a career in this exciting field”

- Florent Herbinger, Student,
Dalhousie University





“The numbers speak for themselves.”

- Clark Hanna, Production Manager,
Oxford Frozen Foods

OXFORD FROZEN FOODS

Over the past three years, we've worked with industrial companies like Oxford Frozen Foods to improve productivity and reduce operating costs through our Energy Management Information Systems (EMIS) service. EMIS provided the Appetizer Plant with the tools and training required to systematically monitor, manage, and control their energy consumption.

“Having Efficiency Days at the Discovery Centre was a great way to expose students to issues and solutions regarding energy efficiency and other “green” matters. As a science teacher, the hands-on opportunities for learning are the most engaging, most lasting and most far-reaching.”

- Eva Farmakoulas, Science Teacher,
Gorsebrook Jr. High



DISCOVERY CENTRE

Last fall over 50 students visited the Discovery Centre for a day to learn from experts in the energy efficiency industry. Students learned how to identify air leaks using ultrasonic headphones, how to conduct a blower door test and had the chance to build their own energy efficiency model home through our sponsored Heat of the Moment program.



“Efficiency Nova Scotia has been a frontrunner in developing new models, participation and financial support. We hope Efficiency Nova Scotia can continue to be a focal point for energy efficiency not only for the province but for all of Canada.”

- Dr. Rob Kool, Chair, International Energy Agency Demand Side Management Programme

INTERNATIONAL ENERGY AGENCY

In 2015, we were proud to become the first Non-Government Organization in Canada to join the International Energy Agency (IEA) Demand Side Management (DSM) Programme. The IEA DSM Programme is an international collaboration of 16 countries and sponsors working together to develop and promote tools on demand side management and energy efficiency.

ARCA

In 2015, ARCA recycled over 5,000 fridges, freezers and air conditioner units. Since 2012, they've recycled over 28,000 appliances.



“We not only reduce the bills of Nova Scotians, we also safely dispose of things which are not only a benefit today, but a benefit to society in the longer term.”

- Joseph Berta,
Managing Director,
ARCA Canada



“Being energy efficient actually helps you do more and get more for your fellow citizens.”

– Cecil Clarke, Mayor,
Cape Breton Regional Municipality

CAPE BRETON REGIONAL MUNICIPALITY

Last year one of our Onsite Energy Managers helped Cape Breton Regional Municipality develop a five year plan to reduce the city's energy consumption by 15% or \$1.5 million. The city is currently on track to reach those savings having completed more than 50 projects in 2015 with projected savings over \$470,000.



VALLEY WASTE RESOURCE MANAGEMENT

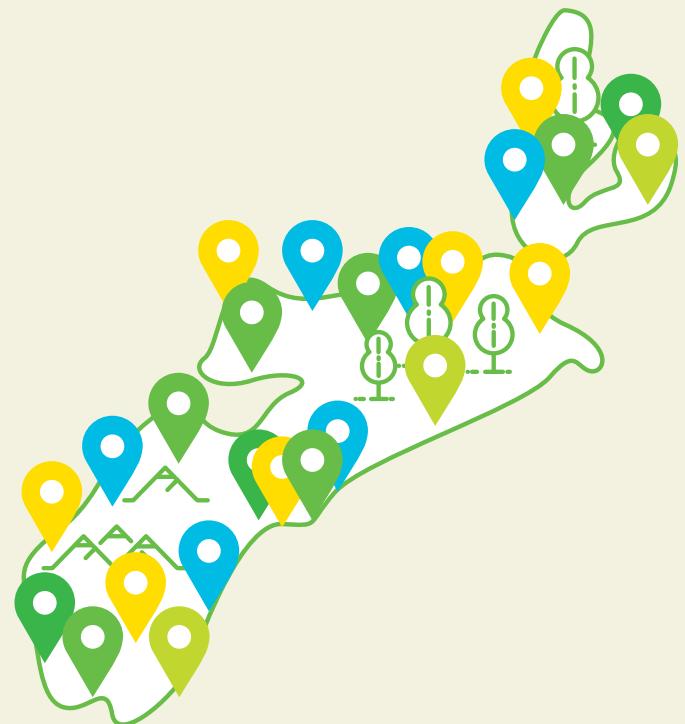
Valley Waste Resource Management built one of the first Passive House – and LEED-certified commercial buildings in Canada. The 8,000 square foot space costs less than \$700 per year to heat and cool. Last year, they took the next step by investing in a wind turbine, further demonstrating their commitment to sustainability, innovation, and sound business practices.



BECKY'S DAYCARE

Last year Becky's Daycare went through our Small Business Energy Solutions program to install a heat pump. They were so pleased with the results, they decided to install two more.

Now they're on track to save almost \$2,000 each year in electricity costs.



In 2015 we were in over 140 communities across the province talking to Nova Scotians about their energy use.

8 Home Shows

30 Tradeshows

7 Weatherization Workshops

76 LED Holiday Light Exchanges

22 Summer Tour Stops



BRIGHT BUSINESS

Nova Scotia native and leading entrepreneur, Danielle Fong, delivered a keynote address to more than 200 attendees at our annual Bright Business Conference.

APPENDIX A

**EFFICIENCYONE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015**

**EFFICIENCYONE
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DECEMBER 31, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
EfficiencyOne

Report on the Financial Statements

We have audited the accompanying financial statements of EfficiencyOne ("the Corporation") which comprise the statement of financial position as at December 31, 2015 and the statements of operations and changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 auditors consider 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 of our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of EfficiencyOne as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

We have audited the Corporation's compliance, as at December 31, 2015, with the cost allocation criteria established by the Efficiency Nova Scotia Cost Allocation Methodology Report as filed with the Nova Scotia Utility and Review Board. Compliance with the cost allocation criteria is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this compliance based on our audit.

In our opinion, as at December 31, 2015, the Corporation has complied in all material respects, with the cost allocation criteria established by the Efficiency Nova Scotia Cost Allocation Methodology Report.

The logo consists of the company name "Collins Barrow Inc." written in a blue cursive script font.

Dartmouth, Nova Scotia
April 14, 2016

Chartered Accountants

EFFICIENCYONE
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Capital Asset Fund	Commitment Fund	Other Business Fund	2015
REVENUES						
Efficiency Nova Scotia Franchise (Note 7)	\$ 31,923	\$ 14,937	\$ -	\$ -	\$ -	\$ 46,860
Interest	257	62	-	-	-	319
Other	-	-	-	-	453	453
	32,180	14,999	-	-	453	47,632
DIRECT COSTS						
Incentives	20,234	11,332	-	(5,873)	213	25,906
Evaluation and verification	1,286	218	-	-	-	1,504
Program support	1,262	91	-	-	20	1,373
	22,782	11,641	-	(5,873)	233	28,783
OTHER PROGRAM AND ADMINISTRATIVE COSTS						
Amortization	-	-	167	-	-	167
Bad debts	2	-	-	-	-	2
Bank charges and interest	-	-	-	-	1	1
Information technology	756	334	-	-	13	1,103
Marketing, outreach and education	1,837	670	-	-	15	2,522
Meetings and travel	173	55	-	-	2	230
Office and insurance	194	87	-	-	3	284
Professional fees and consulting	453	71	-	-	29	553
Rent	484	173	-	-	13	670
Salaries and benefits	5,170	1,869	-	-	136	7,175
Training and development	179	82	-	-	3	264
	9,248	3,341	167	-	215	12,971
TOTAL COSTS	32,030	14,982	167	(5,873)	448	41,754
NET SURPLUS (DEFICIT)	\$ 150	\$ 17	\$ (167)	\$ 5,873	\$ 5	\$ 5,878
Transfer of Fund Balances from Efficiency Nova Scotia Corporation (Note 3)	(230)	(17)	247	(13,542)	-	(13,542)
FUND BALANCE – end of year	\$ (80)	\$ 0	\$ 80	\$ (7,669)	\$ 5	\$ (7,664)

See accompanying notes to the financial statements

**EFFICIENCYONE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015 (IN THOUSANDS)**

	Demand-Side Management Fund	Provincial Fund	Capital Asset Fund	Commitment Fund	Other Business Fund	2015
ASSETS						
CURRENT						
Cash	\$ 19,991	\$ 1,690	\$ -	\$ -	\$ 128	\$ 21,809
Accounts receivable (Note 8)	289	3,779	-	-	269	4,337
HST receivable	408	246	-	-	20	674
Prepaid Expense	151	75	-	-	1	227
	<u>20,839</u>	<u>5,790</u>	<u>-</u>	<u>-</u>	<u>418</u>	<u>27,047</u>
INVESTMENT IN EFFICIENCYONE SERVICES INC. (Note 9)	-	-	-	-	-	-
CAPITAL ASSETS (Note 10)	-	-	80	-	-	80
	<u>\$ 20,839</u>	<u>\$ 5,790</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 418</u>	<u>\$ 27,127</u>
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities (Note 11)	\$ 4,910	\$ 1,058	\$ -	\$ 7,669	\$ 378	\$ 14,015
Deferred revenue (Note 12)	8,518	1,117	-	-	-	9,635
HST payable	438	-	-	-	35	473
	<u>13,866</u>	<u>2,175</u>	<u>-</u>	<u>7,669</u>	<u>413</u>	<u>24,123</u>
DEFERRED REVENUE (Note 12)	7,053	3,615	-	-	-	10,668
	<u>20,919</u>	<u>5,790</u>	<u>-</u>	<u>7,669</u>	<u>413</u>	<u>34,791</u>
FUND BALANCES						
EXTERNALLY RESTRICTED	(80)	-	80	(7,669)	5	(7,664)
	<u>\$ 20,839</u>	<u>\$ 5,790</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 418</u>	<u>\$ 27,127</u>

CONTINGENCIES (Note 13) AND COMMITMENTS (Note 14)

Approved by the Board

William (Bill) Lahey
Chair, Board of Directors

Sean O'Connor
Chair, Finance Committee

EFFICIENCYONE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Capital Asset Fund	Commitment Fund	Other Business Fund	2015
CASH PROVIDED BY (USED FOR):						
OPERATING						
Net surplus (deficit)	\$ 150	\$ 17	\$ (167)	\$ 5,873	\$ 5	\$ 5,878
Item not affecting cash						
Amortization	-	-	167	-	-	167
	150	17	-	5,873	5	6,045
Changes in non-cash working capital items						
Accounts receivable	(289)	(3,779)	-	-	(269)	(4,337)
HST receivable	(408)	(246)	-	-	(20)	(674)
Prepaid Expense	(151)	(75)	-	-	(1)	(227)
Accounts payable and accrued liabilities	4,910	1,058	-	7,669	378	14,015
Deferred Revenue	15,571	4,732	-	-	-	20,303
HST payable	438	-	-	-	35	473
	20,221	1,707	-	13,542	128	35,598
FINANCING						
Fund Balances from Efficiency Nova Scotia Corporation	(230)	(17)	-	(13,542)	-	(13,789)
	(230)	(17)	-	(13,542)	-	(13,789)
CHANGE IN CASH	19,991	1,690	-	-	128	21,809
CASH – end of year	\$ 19,991	\$ 1,690	\$ -	\$ -	\$ 128	\$ 21,809

See accompanying notes to the financial statements

**EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. NATURE OF OPERATIONS

On May 1, 2014, the Electricity Efficiency and Conservation Restructuring (2014) Act (“the Act”) was proclaimed transferring all business information, agreements, employees, assets, liabilities and obligations of Efficiency Nova Scotia Corporation (“ENSC”) effective January 1, 2015 to the first franchise holder, EfficiencyOne (“the Corporation”).

The first franchise known as Efficiency Nova Scotia (“ENS Franchise”) was granted, pursuant to Section 79C of the Public Utilities Act, to the Corporation by the Province of Nova Scotia in December 2014. The Corporation was incorporated in July 2014 under the Canada Not-for-profit Corporations Act.

Under Section 79C of the Public Utilities Act, the Corporation, as the franchise holder, has the exclusive right to supply Nova Scotia Power Inc. (“NSPI”) with reasonably available, cost-effective electricity efficiency and conservation activities. The franchise expires on December 31, 2025.

The Corporation is a not-for-profit organization under the meaning assigned in Section 149 of the Income Tax Act and as such is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

2. CHANGE IN ACCOUNTING POLICY

The Corporation changed its method of accounting for revenue to the deferral method. This is a change from the restricted fund method previously applied by ENSC. Under the restricted fund method, externally restricted revenue is recognized in the period in which it is received. Under the deferral method, revenue is recognized in the period in which the related expenses are incurred. Any revenue that relates to future expenditures is deferred. In accordance with the CPA Handbook *Section 3840 - Related Party Transactions*, the Corporation and ENSC are considered to be related parties and as such the net assets transferred to the Corporation have been retroactively restated to reflect this change in accounting policy.

The change in accounting policy has had the following impact on ENSC’s 2014 financial statements previously issued:

EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. CHANGE IN ACCOUNTING POLICY (cont'd)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

	<u>As Previously Stated</u>					<u>Restated</u>	
	Demand-Side Management Fund	Provincial Fund	Capital Asset Fund	Adjustment			2014
Revenue							
Electricity annual assessment	\$ 53,264	\$ -	\$ -	\$ (14,571)	\$	38,693	
Province of Nova Scotia		-	14,108	-	6,629		20,737
NET SURPLUS (DEFICIT)	\$ 14,777	\$ (6,554)	\$ (281)	\$ (7,942)	\$ -		
FUND BALANCE – beginning of year	\$ (2,513)	\$ 13,453	\$ 528	\$ (11,468)	\$		-
NET SURPLUS (DEFICIT)	14,777	(6,554)	(281)	(7,942)	-		
FUND BALANCE – end of year	\$ 12,264	\$ 6,899	\$ 247	\$ (19,410)	\$ -		

Note: Demand-Side Management Fund excludes the HST Receivable that remained with ENS Transition Corporation

STATEMENT OF FINANCIAL POSITION

	<u>As Previously Stated</u>					<u>Restated</u>	
	Demand-Side Management Fund	Provincial Fund	Capital Asset Fund	Adjustment			2014
LIABILITIES							
CURRENT							
Deferred Revenue	\$ -	\$ -	\$ -	\$ 2,184	\$	2,184	
DEFERRED REVENUE		-	-	-	17,226		17,226
FUND BALANCES							
EXTERNALLY RESTRICTED	\$ 12,264	\$ 6,899	\$ 247	\$ (19,410)	\$		-

**EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

2. CHANGE IN ACCOUNTING POLICY (cont'd)

STATEMENT OF CASH FLOWS

	As Previously Stated					Restated
	Demand-Side Management Fund	Provincial Fund	Capital Asset Fund	Adjustment	2014	
OPERATING						
Net surplus (deficit)	\$ 14,777	\$ (6,554)	\$ (281)	\$ (7,942)	\$ -	
Deferred Revenue	(14,777)	6,554	281	7,942	-	

TRANSFER OF FUND BALANCES TO THE CORPORATION

	Demand-Side Management Fund	Provincial Fund	Capital Asset Fund	Commitment Fund	Jan. 1 2015
Externally restricted fund balances as previously stated	\$ 12,264	\$ 6,899	\$ 247	\$ (13,542)	\$ 5,868
Effect of change in accounting policy	(12,494)	(6,916)	-	-	(19,410)
Externally restricted fund balances as restated	\$ (230)	\$ (17)	\$ 247	\$ (13,542)	\$ (13,542)

3. EFFICIENCY NOVA SCOTIA CORPORATION TRANSFER OF ASSETS, LIABILITIES AND FUND BALANCES

Effective January 1, 2015 ENSC transferred all assets, liabilities and fund balances, with the exception of the Demand Side Management ("DSM") HST Receivable, to the Corporation. DSM HST Receivable remained an asset of ENS Transition Corporation ("ENSTC"). The following balances were transferred and reflect the change in accounting policy:

**EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

**3. EFFICIENCY NOVA SCOTIA CORPORATION TRANSFER OF ASSETS, LIABILITIES AND FUND BALANCES
(cont'd)**

	Demand-Side Management Fund	Provincial Fund	Capital Asset Fund	Commitment Fund	Jan. 1 2015
ASSETS					
CURRENT					
Cash	\$ 11,015	\$ 5,401	\$ -	\$ -	\$ 16,416
Accounts receivable	8,735	4,218	-	-	12,953
	<u>19,750</u>	<u>9,619</u>	<u>-</u>	<u>-</u>	<u>29,369</u>
CAPITAL ASSETS					
	-	-	247	-	247
	<u>\$ 19,750</u>	<u>\$ 9,619</u>	<u>\$ 247</u>	<u>\$ -</u>	<u>\$ 29,616</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 6,643	\$ 2,380	\$ -	\$ 13,542	\$ 22,565
HST payable	843	340	-	-	1,183
Deferred Revenue	-	2,184	-	-	2,184
	<u>7,486</u>	<u>4,904</u>		<u>13,542</u>	<u>25,932</u>
DEFERRED REVENUE					
	<u>12,494</u>	<u>4,732</u>	<u>-</u>	<u>-</u>	<u>17,226</u>
	<u>19,980</u>	<u>9,636</u>	<u>-</u>	<u>13,542</u>	<u>43,158</u>
FUND BALANCES					
EXTERNALLY RESTRICTED					
	(230)	(17)	247	(13,542)	(13,542)
	<u>\$ 19,750</u>	<u>\$ 9,619</u>	<u>\$ 247</u>	<u>\$ -</u>	<u>\$ 29,616</u>

4. EFFICIENCYONE SERVICES INC.

On December 8, 2015, EfficiencyOne Services Inc. ("the Company") was incorporated under the Companies Act as a limited company. The Company was registered under the provisions of the Nova Scotia Corporations Registration Act and is a wholly owned subsidiary of the Corporation. EfficiencyOne Services Inc. designs and delivers energy and resource efficiency services that are considered non-ENS franchise activities. At year end, EfficiencyOne Services Inc. had no assets, liabilities, revenue or expenses.

EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Fund accounting

- a) The DSM Fund is used to account for the operations of the Corporation including reporting the fee-for-service revenues as received from NSPI with expenses approved annually by the Nova Scotia Utility and Review Board (“UARB”). Cash received under the DSM Fund is only used for operations of the fund, with the exception of transfers to cover the cost of capital assets;
- b) The Provincial Fund is used to account for the operations of the Corporation, including reporting the fee-for-service revenues as received and expenses incurred under contract with the Province of Nova Scotia. Cash received under the Provincial Fund is only used for operations of the fund with the exception of transfers to cover the cost of capital assets and approved loans;
- c) The Capital Asset Fund is used to account for capital assets, including their purchase, amortization, and disposal. Operating costs of capital assets are accounted for in the DSM Fund and the Provincial Fund;
- d) The Commitment Fund is used to account for future incentive payments that have been committed to customers either directly through rebates or for work to be completed by Delivery Agents for either DSM or Provincially-funded programs.
- e) The Other Business Fund is used to account for the operations of the Corporation outside of the activities performed under the NSPI and the Provincial contracts which are considered ENS franchise activities.

Revenue recognition

The Corporation follows the deferral method of accounting for Efficiency Nova Scotia Franchise revenue. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred.

Interest revenue on interest-bearing deposits is recognized as revenue in the DSM Fund or Provincial Fund in the year in which the revenue is earned.

Revenue in the Other Business Fund is recognized in the year in which the revenue is earned.

EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Expense recognition

The Corporation recognizes incentive costs, such as customer rebates, at such time as energy savings are recognized. Energy savings are recognized at milestones within a contract or when the contract is complete. This is consistent for most programs with the exception of programs designed to impact behaviour change, such as Home Energy Report. For other business activities expenses are recorded as incurred.

Cash

The Corporation discloses bank balances and interest-bearing deposits with a maturity period of three months or less from the date of acquisition under cash. The Corporation manages its cash according to its cash needs, in accordance with the Corporation's investment policy.

Capital assets

The Corporation's policy is to record the acquisition of capital assets in excess of \$10,000 on the statement of financial position. Capital assets are initially recorded at cost. Amortization is provided for using the following rates and method over their estimated useful lives:

Furniture and fixtures	33%	Straight-line
Leasehold improvements	Term of lease	Straight-line
Computer software	50%	Straight-line
Computer hardware	50%	Straight-line
One half year's amortization is taken in the year of the acquisition.		

Cost allocation methodology

The Corporation follows a Cost Allocation Methodology ("CAM") to allocate expenses not directly related to a fund, as disclosed in Note 16.

Reporting to UARB

The UARB approves the DSM Plan (the "Plan") for the Corporation, including electricity savings and associated expenditures in a calendar year. The Corporation reports to the UARB on a quarterly basis.

Significant estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-For-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported

**EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

amounts of revenues and expenses during the reporting period. Significant estimates and assumptions include certain accrued liabilities. Actual results could differ from those estimates.

Profit-orientated entities

The Corporation accounts for investments in profit-orientated entities using the equity method of accounting for investments.

6. FINANCIAL INSTRUMENTS

The Corporation initially measures its financial assets and financial liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in net surplus (deficit). Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in net surplus (deficit).

7. EFFICIENCY NOVA SCOTIA FRANCHISE REVENUE (in thousands)

Effective January 1, 2015, the Corporation entered into a new funding agreement with NSPI for DSM activities, under which fees are received monthly. This is different from ENSC where funding was received through an annual electricity assessment collected from rate payers. In 2015, the Corporation received \$35.0 million in fee-for-service revenue.

Effective April 1, 2015, the Corporation finalized a multi-year fee-for-service agreement with the Province of Nova Scotia, under which fees are received quarterly, commencing in April 2015 and ending in March 31, 2019. In 2015, the Corporation received \$12.8 million in fee-for-service revenue.

EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

7. EFFICIENCY NOVA SCOTIA FRANCHISE REVENUE (in thousands) (cont'd)

	Demand-Side Management Fund	Provincial Fund	2015
Fee for service revenue	\$ 35,000	\$ 12,753	\$ 47,753
Recognition /(Deferral) of current year revenue	(3,077)	2,184	(893)
	<hr/>	<hr/>	<hr/>
	\$ 31,923	\$ 14,937	\$ 46,860

8. ACCOUNTS RECEIVABLE (in thousands)

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2015
Nova Scotia Department of Energy	\$ -	\$ 3,499	\$ -	\$ 3,499
Other receivables	289	280	269	838
	<hr/>	<hr/>	<hr/>	<hr/>
	289	3,779	269	4,337
Allowance for doubtful accounts	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 289	\$ 3,779	\$ 269	\$ 4,337

9. INVESTMENTS

The Corporation has recorded under Investments the investment of \$10 (ten shares) in EfficiencyOne Services Inc.

EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

10. CAPITAL ASSETS (in thousands)

	Cost	Accumulated Amortization	2015
Furniture and fixtures	\$ 611	\$ 611	\$ -
Leasehold improvements	482	402	80
Computer software	29	29	-
Computer hardware	56	56	-
	\$ 1,178	\$ 1,098	\$ 80

Amortization is allocated between the DSM Fund and the Provincial Fund for the purpose of funding based on the allocator of Full-Time Equivalents of staff resources assigned to the programs as determined by the CAM, as disclosed in Note 16.

11. ACCRUED LIABILITIES (in thousands)

	Demand-Side Management Fund	Provincial Fund	Commitment Fund	Other Business Fund	2015
Accounts payable and accrued liabilities	\$ 4,910	\$ 1,058	\$ 7,669	\$ 378	\$ 14,015

Accrued liabilities under the Commitment Fund include an estimate of potential future payments to customers. The commitment to provide an incentive payment exists even though the services and the associated energy savings occur in the future.

To be consistent with the expense recognition policy, the Commitment fund has been established to record these incentives as an expense and provide an offsetting liability. In future years, these incentives will be recognized as an expense within the DSM or Provincial Fund when energy savings are recognized.

In 2015, the total commitments are \$7.7 million with the DSM Fund share of \$2.8 million and the Provincial Fund share of \$4.9 million.

**EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

11. ACCRUED LIABILITIES (in thousands) (cont'd)

The incentive commitments are calculated on a program-by-program basis as at December 31, 2015. For residential programs, commitments made to Nova Scotians enrolled in the New Home Construction, Home Energy Assessment and Low Income Homeowner Service programs are included. New Home Construction and Home Energy Assessment estimates are based on the number of eligible homes anticipated to complete the program at the historical average rebate rate in addition to the average final audit costs that would be paid to Delivery Agents for the service. Low Income Homeowner Service estimates are based on the number of qualified customers whose application had been assigned to a Delivery Agent for implementation.

In Business, Non-Profit, and Institutional ("BNI") programs, incentive commitments include customers participating in the Business Energy Rebate programs. Business Energy Rebate estimates are calculated using the total value of mail-in rebate applications received.

12. DEFERRED REVENUE (in thousands)

	Demand-Side Management Fund	Provincial Fund	2015
Opening	\$ 12,494	\$ 6,916	\$ 19,410
Deferral / (Recognition) of current year revenue	3,077	(2,184)	893
Less Current Portion	\$ 15,571	\$ 4,732	\$ 20,303
	8,518	1,117	9,635
	<u>\$ 7,053</u>	<u>\$ 3,615</u>	<u>\$ 10,668</u>

13. CONTINGENCIES

The Corporation has an agreement with NSPI to extend financing to certain BNI customers participating in either the Small Business Energy Solutions, BNI Custom, or Business Energy Rebates programs. Those customers are approved by NSPI for repayment terms up to 48 months. Financing costs related to the principal are paid to NSPI by the Corporation on a monthly basis and are considered part of the applicable program cost. The Corporation is contingently liable to cover defaults on principal amounts outstanding. At December 31, 2015 the balance of total financing extended was \$1.7 million.

EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

14. COMMITMENTS

a) The Corporation has entered into a lease agreement, expiring December 31, 2017, for the rental of its office premises. Minimum annual lease payments over the next two years are as follows:

2016	\$ 0.4 million
2017	\$ 0.4 million

b) The Corporation has entered into a contract for the development and implementation, including licenses, of a new data management system. The minimum payment in 2016 will be approximately \$0.6 million US dollars.

15. RISK MANAGEMENT

The Corporation is exposed to risks associated with its financial instruments as follows:

	Risks			
			Market risk	
	Credit	Liquidity	Currency	Interest rate
Cash	X			X
Accounts receivable	X			
Accounts payable and accrued liabilities		X	X	

a) Credit risk

Credit risk arises from the possibility of one of the parties to a transaction defaulting on its financial obligations.

i) Cash

Credit risk associated with cash is minimized by investing these assets in short-term interest-bearing deposits of a Canadian bank with credit ratings that comply with the Corporation's banking and investment policy.

ii) Accounts receivable

Credit risk associated with accounts receivable is mitigated by the fact that the majority of receivables outstanding are from NSPI, which is a regulated public utility, mandated by its regulator to fund DSM activities.

EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

15. RISK MANAGEMENT (cont'd)

b) Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they come due. It stems from the possibility of a delay in realizing the fair value of investments. The Corporation manages its liquidity risk by monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Accounts payable and accrued liabilities include obligations to customers who have earned incentives and are normally paid within 90 days. For some customer incentives accrued, there may be exceptions to the timing of the payments. The timing of these payments is determined by the terms of the customer's contract. HST payable is remitted on a monthly basis.

c) Market risk

The Corporation is exposed to market risks arising from changes in the fair value of financial instruments due to market price fluctuations. Market risks consist of currency risk, interest rate risk and other price risk. The Corporation is not exposed to other price risk.

i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to changes in the market interest rates. The Corporation is exposed to interest rate risk with regard to its cash. The Corporation has no interest-bearing liabilities.

The Corporation's cash include amounts on deposit with a Canadian bank that earn interest at the market rate. Fluctuations in market rates of interest on cash do not have a significant impact on the Corporation's results of operations. Short-term interest-bearing deposits are not exposed to significant interest rate risk due to their short-term nature.

EFFICIENCYONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

16. COST ALLOCATION METHODOLOGY (in thousands)

	Allocator	Expenses subject to Allocation	DSM Fund Allocation	Provincial Fund Allocation	Other Business Allocation
Incentives	Direct	\$ 1,316	\$ 876	\$ 440	\$ -
Information technology	FTE	407	294	105	8
Information technology	Direct	696	462	229	5
Marketing, outreach and education	Direct	1,251	666	585	-
Meetings and travel	Direct	149	96	52	1
Office and insurance	FTE	95	68	25	2
Office and insurance	Direct	189	126	62	1
Professional fees and consulting	Direct	211	140	69	2
Program support	Direct	188	123	65	-
Rent	FTE	670	484	173	13
Salaries and benefits	FTE	7,175	5,170	1,869	136
Training and development	FTE	264	179	82	3
		\$ 12,611	\$ 8,684	\$ 3,756	\$ 171

The Corporation engages in DSM programs (contained in the DSM Fund), other energy efficiency and conservation programs (contained in the Provincial Fund) and non-franchise activities (contained in the Other Business Fund).

The costs in each fund include direct costs of the programs which are comprised of, but not limited to, customer payments, program support costs, and other program and administrative costs directly attributable to a program. The Corporation also incurs costs which are not directly related to one program that require allocation between the funds and subsequently to programs. These non-direct costs include, but are not limited to, joint direct program costs, common program costs, salaries and benefits, administrative and operational overhead and general program administration.

The Corporation allocates the non-direct costs noted above based on Full-Time Equivalents ("FTE") of staff resources assigned to the programs and Direct Costs ("Direct") of the programs as defined in the Efficiency Nova Scotia Corporation Cost Allocation Methodology Report. The CAM is subject to regular review by the UARB.