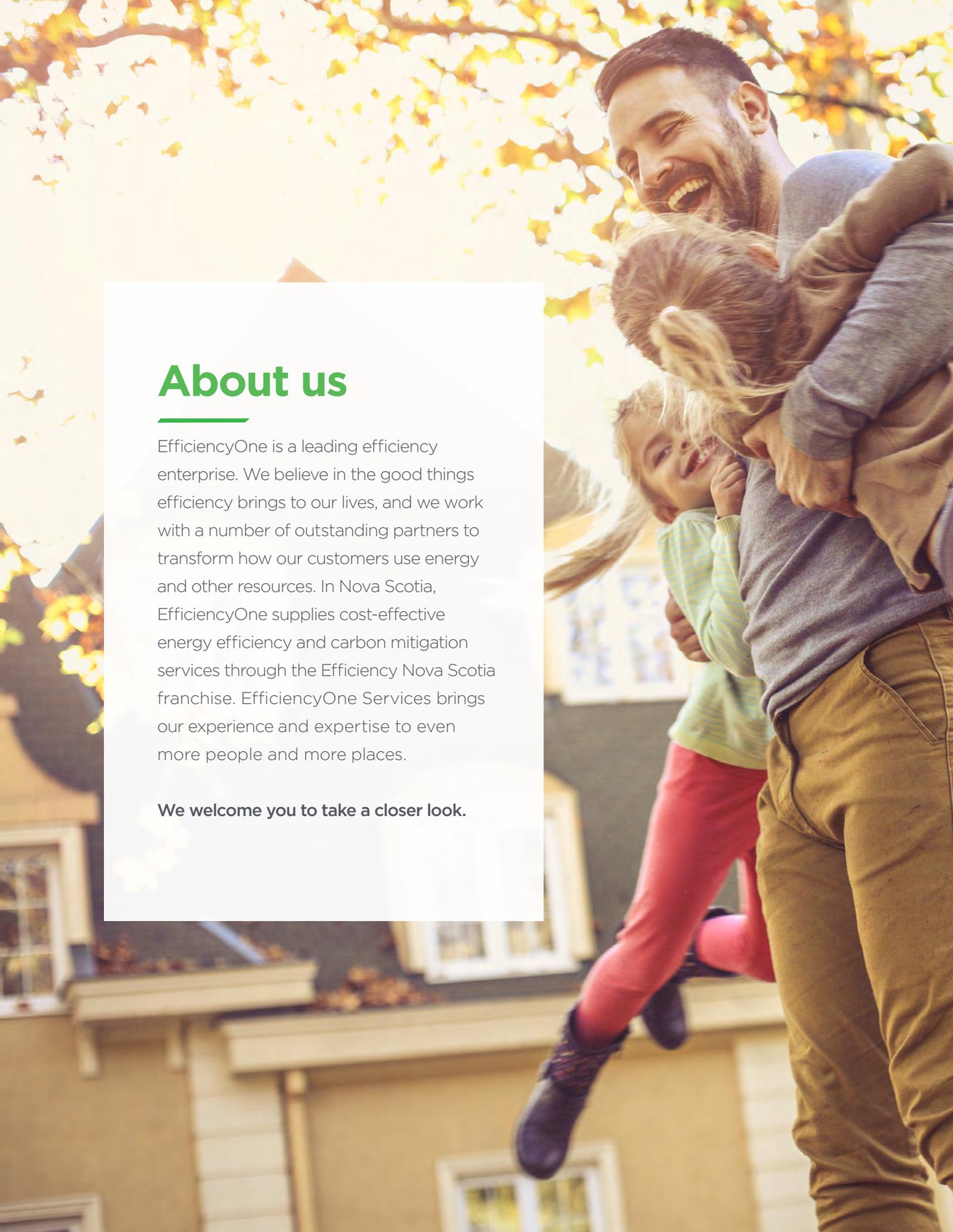




All the
Good Things.

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About us

EfficiencyOne is a leading efficiency enterprise. We believe in the good things efficiency brings to our 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 energy efficiency and carbon mitigation services through the Efficiency Nova Scotia franchise. EfficiencyOne Services brings our experience and expertise to even more people and more places.

We welcome you to take a closer look.



Letter from our Board Chair

In last year's annual report, I noted that our success in 2018 would be determined, in part, by our efforts to further champion energy efficiency and to mitigate climate change.

We made significant progress toward these goals in 2018, exceeding our three-year performance targets for savings in both energy and peak demand, and helping Nova Scotians reduce CO2 emissions by one million tonnes. With support from the Province of Nova Scotia and the Government of Canada, we also expanded our range of services, enabling even more companies and customers to benefit from energy efficiency, while continuing to grow our contribution to Nova Scotia's climate change mitigation goals.

Our focus on contributing to a better world is reflected in the organization's updated Strategic Plan, which underwent a planned mid-term review in 2018. EfficiencyOne remains committed to fostering the development of a sustainable economy by continuing to build and grow programs that save customers money, support local industry and contribute to a greener Nova Scotia.

As Canada - and the world - adapts to climate change, Nova Scotia's success in using energy more efficiently will continue to yield economic, social and environmental benefits while becoming of greater

importance to the contribution Nova Scotia makes to both national and global efforts. Our next three-year plan, now before the Nova Scotia Utility and Review Board, proposes to keep Nova Scotia ahead of the curve in the delivery of efficiency programs while bringing more benefits to more people. We remain committed to earning the support of Nova Scotians for our goals to maintain and responsibly grow energy savings and CO2 emission reductions while we continue to challenge ourselves to deliver long-term benefits and cost savings to all Nova Scotians.

Keeping commitments and challenging ourselves to do more, as much as reducing energy use and saving money, have become what we do at EfficiencyOne. That is the doing of our great staff, our many partners in Nova Scotia's thriving energy efficiency sector and our customers. On behalf of my Board colleagues, I thank them all for what they are doing to make this possible and to enjoy the good things efficiency brings.

William (Bill) Lahey,

**Chair of the Board of Directors
EfficiencyOne**



Letter from our Chief Executive Officer

In 2018, Nova Scotia reached an important milestone: ten years of investment in efficiency programs. In that time, we have reduced the province's electricity use by an impressive 11 per cent. Nova Scotians are saving over \$180 million in annual energy costs, and we've reduced one million tonnes of CO2 emissions—1 tonne for every person in the province.

We are also reaching more customers today than ever before, with new support for oil-heated homes and new services for low-income renters and Mi'kmaq Communities. In 2018, we launched a new program to make solar projects more affordable for homeowners and received hundreds of applications within months of the program's launch.

Our success in the past year has helped support continued growth in Nova Scotia's efficiency industry. Our programs are delivered by more than 200 partner companies that employ 1,400 people across the province - an impressive group of experts in energy efficiency technologies and services.

Looking ahead, we will continue to expand our partnership network in order to help even more people and continue to build a better world through efficiency. Our next three-year efficiency plan, which

we recently filed with the Nova Scotia Utility and Review Board, builds on our record of achievement and outlines new ways to help residents and businesses achieve greater energy and cost savings, while also reducing harmful emissions that impact climate change. We believe strongly that it provides the best value to Nova Scotians—delivering more than \$5 in savings for every \$1 invested in efficiency programs. Our results to-date are because of the hard work and dedication of our staff, delivery agents and partners.

I invite you to read the stories and results in our Annual Report and to show your support for efficiency by sharing them widely.

Stephen MacDonald,

**Chief Executive Officer
EfficiencyOne**

Our Board of Directors



William (Bill) Lahey, BA, BA (JURIS), LL.M
Chair of the Board of Directors

William Lahey is President and Vice-Chancellor of the University of King's College. He is also an Associate Professor at the Schulich School of Law at Dalhousie University. A Rhodes Scholar, 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 and served as an Assistant Deputy Minister of Health and as a Deputy Minister of Environment and Labour for Nova Scotia, in addition to being a law professor. He is also the Chair of the Nova Scotia Health Research Foundation and previously served as Chair of the Board of Directors of the Canadian Centre for Ethics in Public Affairs. He is also 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 was 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.



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 inducted into the Nova Scotia Business Hall of Fame and being made an Officer of the Order of Canada in 2007. He sits as a director on several boards.



Jack Kyte, BSC, DIJ

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 non-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 non-profit boards. In 2009, Carol received an honorary diploma from the Nova Scotia Community College.



Joan McArthur-Blair, BA, MED, EDD

Dr. Joan McArthur-Blair, Co-President of Cockell McArthur-Blair Consulting is an inspirational writer, poet, speaker and facilitator. She moved into full-time consulting after a full and rich career in higher education where she fulfilled roles from faculty to college president. She works all over the world with individuals and organizations to make a positive difference. Joan specializes in the use of appreciative inquiry to foster leadership development, board development, strategic planning, leadership resilience and innovation. She has published many articles on appreciative inquiry and co-authored two books: *Appreciative Inquiry in Higher Education: A Transformative Force* (2012) and *Building Resilience with Appreciative Inquiry: A Leadership Journey through Hope, Despair, and Forgiveness* (2018).



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 both the private and public sectors. Sean sits on the boards of a number of private and non-profit organizations and is currently the Chair of the Atlantic Lottery Corporation and Vice Chair of Credit Union Atlantic.



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. Dan is an enthusiastic advocate of energy and GHG saving and has strong environmental interests.



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 most recently was the 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 Honourary Doctorate of Civil Law in 2015.



Savings **Results**



Savings Results

2018 marked the end of our first three-year electricity efficiency plan. Electrical energy saving targets are regulated by the Nova Scotia Utility and Review Board and funded by electricity ratepayers.



Total GWh saved: 419 GWh – the annual electrical energy use of over 33,000 average Nova Scotian households

2016-2018 Target: 405.9 GWh

Residential Electrical Energy Savings

	2018	2016-2018
Appliance Retirement	3 GWh	8 GWh
Instant Savings	22 GWh	76 GWh
Home Energy Assessment	6 GWh	18 GWh
Green Heat	4 GWh	11 GWh
Efficient Product Installation	13 GWh	50 GWh
New Home Construction	5 GWh	12 GWh
Residential Subtotal	53 GWh	175 GWh

Business, Non-Profit & Institutional Electrical Energy Savings

	2018	2016-2018
Business Energy Rebates	75 GWh	160 GWh
Custom	12 GWh	54 GWh
Energy Management Information Systems	2 GWh	5 GWh
Small Business Energy Solutions	10 GWh	22 GWh
Strategic Energy Management	1 GWh	4 GWh
Business, Non-Profit & Institutional Subtotal	100 GWh	245 GWh

Savings Results

Our targets to save energy and reduce greenhouse gas emissions (GHG) from other fuels, like home heating oil, are funded by the Province of Nova Scotia and the Government of Canada. Our Low Income Services have a four-year savings target concluding in 2019. Our Low Carbon Homes Services have a four-year savings target concluding in 2022.

Non-Electrical/PNS Energy Savings			
	Energy Savings (GJ)	GHG Savings (Tonnes)	
Low Income Services	2018	2018	93% of 4-year target concluding in 2019
HomeWarming	59,871	3,839	
Efficient Products Installation	6,656	427	
Affordable Multifamily Housing	946	61	
Low Carbon Homes Services*	2018	2018	2% of 4-year target concluding in 2022
Green Heat	14,232	258	
Home Energy Assessment	1,237	79	
Instant Savings	3,546	227	
Efficient Products Installation	1,425	91	
SolarHomes	1,651	280	
Total Non-Electrical Energy Savings	89,564 GJ	5,262 Tonnes	

Note: Results reflect 2016-2018 evaluated electrical energy savings and 2018 non-electrical energy and GHG savings.

*Low Carbon Homes Services launched in July, 2018

2018 Performance



CATEGORY

Financial and Energy Savings

Measurement	DSM ¹	PNS ²
First year cost per unit of energy saved	2018 Target: ≤ \$0.25/kWh 2018 Result: \$0.22/kWh	Low Income Services: 2015-2019 Target: ≤ \$230/GJ 2015-2018 Result: \$202/GJ Low Carbon Services: 2018-2022 Target: ≤ \$53/GJ 2018 Result: \$90/GJ
Energy savings achieved	2018 Target: 138.3 GWh (+/-5%) 2018 Result: 151.4 GWh	Low Income Services: 2015-2019 Target: 243,839 GJ 2015-2018 Result: 226,578 GJ Low Carbon Services: 2018-2022 Target: 1,016,300 GJ 2018 Result: 22,091 GJ
Demand Savings	2018 Target: 25.9 MW (+/-5%) 2018 Result: 25.5 MW	

¹ Demand-side Management (DSM) refers to programs that promote and manage the efficient use and conservation of electricity. This work is funded by Nova Scotia Power (NS Power), pursuant to legislation requirements within the Public Utilities Act (PUA). The PUA requires that NS Power purchase electricity efficiency and conservation activities from the electricity efficiency franchise holder. EfficiencyOne is the current electricity efficiency franchise holder (the Efficiency Nova Scotia franchise) and is a public utility regulated by the Nova Scotia Utility and Review Board.

Peak Demand savings correspond to the demand savings that coincide in time with the peak demand of the entire electricity system. The projected electricity-demand peak period in Nova Scotia is between 5 p.m. and 7 p.m. in the months of December to February on non-holiday weekdays.

² The Province of Nova Scotia (PNS) and the Government of Canada fund programs that promote or manage efficient use and conservation of non-electric fuels, like home heating oil.

2018 Performance

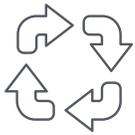


CATEGORY

Environmental Impact

	2018 Target	2018 Result
GHG emission reductions achieved from programs and services	83 kt*	92 kt

*kt = kilotonne



CATEGORY

Process

	2018 Target	2018 Result
On-time delivery of key processes	≥ 80%	79%



CATEGORY

Customer

	2018 Target	2018 Result
Average overall customer satisfaction score out of 100	≥ 88%	91%



CATEGORY

People

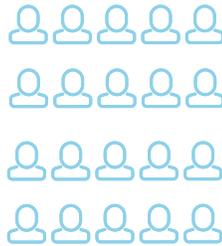
	2018 Target	2018 Result
Employee engagement	≥ 88%	90%

At a glance



over **1,600**
New Home builds*

Nova Scotians
have reduced their
electricity
use by **11%**



**Training & support
for more than 200
local businesses**

employing over 1,400 people to work on
Efficiency Nova Scotia projects.



Over
1.2 Million
energy efficient products installed*

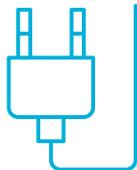
Fighting climate change by avoiding nearly

1,000,000
tonnes of CO₂e annually



Total savings of over

\$180 million annually



Over
12,000
energy efficient upgrades
to homes and buildings*

**35% reduction
in heating costs**

for participating low-income homes



**Data reflects cumulative 2016-2018 results*



Work in our
Community

Bringing good things to small businesses

“

It's cool in
the summer
and warm in
the winter.
I definitely
recommend
the process.

- Julie Senior, Owner.

We help businesses of all sizes achieve savings in their day-to-day operations—like Fisherman's Picnic General Store in Lunenburg. The store is run by Julie Senior and her daughter Justine, and sells only Nova Scotian products.

“In partnering with Efficiency Nova Scotia, we were looking to get advice that would help reduce our electricity costs,” Senior explains. “We installed a heat pump and also an energy efficient fridge and freezer, [which have] reduced our

overall costs and [made] the store a lot more comfortable,” she adds. One of the most surprising aspects was the ease in which the process flowed. “The paper work [...] was very simple and straightforward. Also, the speed in which they processed the rebate was really appreciated.”

Fisherman's Picnic is now enjoying the good things efficiency brings, like lower bills and a reduced carbon footprint. We're helping more Nova Scotian businesses achieve the same every year.

efficiency
NOVA SCOTIA



Energy efficient upgrades help homeowner stay rooted in the Annapolis Valley

“

Before ... I had to wear socks to bed and it would take forever for me to warm up. Since having the work done in the basement, I never have to wear socks to bed. It made that much of a difference.

- Janet Swansburg,
Homeowner.

efficiency[™]
NOVA SCOTIA

We believe that energy efficiency is for everyone, including people living on a fixed income. Like Annapolis County resident Janet Swansburg.

Janet, who has lived in her 1800's era home for over 50 years, received free energy efficient upgrades, making her home more comfortable while lowering her heating bills.

Janet's home was upgraded with:

- Basement insulation
- An energy efficient dehumidifier
- Smart thermostat
- Carbon monoxide detector

Now Janet can focus more on the things she loves about living in her home and take comfort in knowing she can afford to stay in her home for years to come.



Growing our industry, and our impact

**8 out of 10
members
surveyed stated
that they are
satisfied or
very satisfied
with their
participation in
the Efficiency
Trade Network**

Every year, Nova Scotia's energy efficiency industry continues to grow, creating more jobs here at home. Our network of distributors, contractors, and consulting engineers is just one place where growth is happening.

The Efficiency Trade Network started in 2016 with 37 partners, and only three years later, has grown to over 200 members in locations across Nova Scotia—and we're not done yet.

In 2018, we hosted 391 members for a variety of training events. Sessions

like Passive House Builder Training and Energy Advisor Training have allowed our partners to grow their knowledge and offer more services to their customers.

Every year, the Bright Business Conference and Awards brings together members of our Network and other energy efficiency leaders and industry professionals. In 2018, we welcomed over 270 attendees and 18 engaging speakers as we celebrated the province's best in class efficiency leaders.

efficiency
NOVA SCOTIA



New homes, new ideas

“

It's all about affordability and the only thing we really have control over in that regard is reducing our energy need.

- Phil Dennis

When mechanical engineer, Phil Dennis, and his family moved back to Nova

Scotia from Montreal, he was ready for a career change—and his family was ready for their dream home. Phil trained with the German Passive House Institute and worked with Efficiency Nova Scotia to build the family's dream home into reality.

Passive homes are built to the highest standards of energy efficiency, with a focus on making the building envelope as air-tight as possible.

Natasha Brooks, a Program Manager with Efficiency Nova Scotia says the Dennis home, “was so successful in the design and construction that it only costs \$100 per year to heat the entire [thing].”

Efficiency Nova Scotia offers advice, customized recommendations to building plans and rebates to help make your new home as energy efficient as possible.

efficiency[™]
NOVA SCOTIA



Lake Echo homeowner keeps 1960's bungalow stylish with energy efficiency

“

I absolutely recommend these programs—and already have to several of my neighbours.

- Edith Mosher

efficiency[™]
NOVA SCOTIA

Edith Mosher and her husband have lived in their 1960's bungalow in Lake Echo for 38 years. They've worked hard to keep their home up-to-date with stylish renovations, and more importantly, renovations that have helped their energy costs drop.

The couple installed a heat pump, with help from a rebate from Efficiency Nova Scotia, and attic insulation in 2013. While their heating costs went down, Edith knew there was more work to be done. The basement was unfinished and uninsulated, but time and money deterred the homeowners from taking the next step.

After an energy assessment from Efficiency Nova Scotia revealed that 51% of their home's heat was being lost through the basement, the couple received rebates to help with the costs of insulating their basement and air sealing.

Since the work has been done, Edith and her husband notice a big difference.

"It's just lovely. You can go down there and be comfortable," says Edith. "Now my husband even has a home office in the basement."



Affordable Housing Pilot helps reduce energy poverty across the province

“

The folks we see in these shelters deserve to be warm and comfortable, and these upgrades are providing that.

- Tim Nobes
Facilities Manager,
Shelter Nova Scotia

Tim Nobes is the Facilities Manager for Shelter Nova Scotia. Working with Efficiency Nova Scotia, three emergency shelters in Halifax are being upgraded with insulation, heating equipment, and draft proofing – at no cost to Shelter Nova Scotia.

“After the completion of these upgrades, the clients are talking about the changes and their attitudes change. They feel the result of these upgrades,” says Tim, who is managing the upgrades for Barry House, The Elizabeth Fry Society and Metro Turning Point.

“They feel we’re paying attention to their needs, and that generally raises their level of comfort.”

“The funds generated by the efficiencies achieved through these programs enable other necessary improvements to our properties that further benefit our staff and clients.”

efficiency[™]
NOVA SCOTIA



Helping the environment, one recycled mercury product at a time

“

We receive tens of thousands of mercury lamps each year at our facilities in Kentville and Lawrencetown. The proper management of mercury containing products reduces the exposure of mercury to our staff and our environment.”

efficiency
NOVA SCOTIA

Across Nova Scotia, Efficiency Nova Scotia has collected mercury-containing streetlights, outdoor lighting, business lighting, thermostats, appliance switches, CFLs, and recycled them properly and safely.

With 50 drop-off locations throughout the province, it's easier than ever for Nova Scotians to recycle their mercury-containing products responsibly.

Highlights

In 2018 over 58 kg of mercury was collected, which includes:

- 47 kg of mercury from orphan products (old blood pressure gauges, hydrometers, jars of liquid mercury, etc.)
- Over 1,033 km of fluorescent tubes—this is the equivalent of driving across Nova Scotia end to end 1 1/4 times!
- 125,111 CFL bulbs.



Growing the next generation of efficiency leaders

“

I often mention to students that they will look back at some of the ways we used and wasted energy now and be shocked by those choices. We need to make a change by wasting less energy today.

- Green Schools
Engagement Officer,
Natalie McMaster

By partnering with educators around the province, we're helping grow the next generation of efficiency leaders.

Green Schools

One in two schools across the province are part of our Green Schools program. Each school year, our Engagement Officers are busy teaching over 20,000 students about the environmental benefits of being energy efficient. Students, teachers and the larger school community are learning how to waste less, save energy and the planet.

Novs Scotia Community College (NSCC) Bright Student Bursary

Efficiency Nova Scotia and NSCC partnered for a second year to award the Bright Student Bursary to a student enrolled in the Energy Sustainability

Engineering Technology program. These students are committed to growing their career in the energy efficiency industry after graduation. Luke Hiebert was the recipient of the 2018 bursary. "I feel a great need to learn how to build and design affordable and sustainable homes for those in need. I am determined to make a difference in the world of affordable and universal housing." We're happy to help Luke and students like him follow their passions for energy efficiency.

Dalhousie and Saint Mary's University programs

Through our partnership with Dalhousie and Saint Mary's University, we are proud to offer a course on Energy Efficiency and Renewable Energy, designed to build capacity in these sectors in Nova Scotia, and foster student's interest in sustainable energy.

So far, over 90 undergraduates have completed the course.

efficiency
NOVA SCOTIA



Sharing a vision for energy efficiency

Our continued partnership with Nova Scotia's Mi'kmaq communities has led to:

- Nearly 2,000 energy efficient upgrades to homes in 13 Mi'kmaq communities
- Savings over \$300,000 in Mi'kmaq communities every year

efficiency[™]
NOVA SCOTIA

Working with Nova Scotia's Mi'kmaq communities, we developed a new pilot program to help community members save energy and make their homes more comfortable.

The program is providing upgrades to First Nation community homes that have the biggest impact on energy consumption, such as insulation, draft proofing, and heat pumps.

Preference is given to Mi'kmaq preferred contractors to complete the upgrades.

Through the program, 100 homes in Mi'kmaq communities across Nova Scotia will receive upgrades with an annual savings of \$1,000 per home.



The sun is shining on energy efficiency

“

Our province continues to be a national leader in fighting climate change, and this new program will build on our successes.

- Energy and Mines Minister
Derek Mombourquette

efficiency
NOVA SCOTIA

More Nova Scotians than ever are switching to solar, with help from Efficiency Nova Scotia.

Homeowners like Dennis Wright, whose Beechville home has been in his family for more than three decades, are now enjoying significant energy savings and reduced carbon outputs.

Making the switch to solar has saved Nova Scotians over 400,000 kWh, continuing our province's dedication to fighting climate change, while creating economic and environmental benefits for all Nova Scotians.

Now that's a reason to shine.



EfficiencyOne Services

In 2018, EfficiencyOne Services offered its expertise to energy efficiency projects and institutions across Canada, including efficiencyPEI, NB Power, and Energy Efficiency Alberta.

This work included:

- Supporting program design
- Consulting for projects
- Training and recruiting employees
- Developing marketing and promotional material for programs

EfficiencyOne services is a subsidiary of EfficiencyOne, which operates Efficiency Nova Scotia.

EfficiencyOne Services was formed as part of EfficiencyOne's growth strategy - supplying industry leading energy efficiency expertise and services outside of Nova Scotia to maximize our environmental, economic, and social impact.

EfficiencyOne Services helps governments, utilities, international financial institutions, and businesses achieve their climate change and energy efficiency goals. Its expertise includes: developing policies, planning, designing, and executing effective programs, and ensuring everything passes third-party evaluation.





Financial
Information



2018 Financial Analysis and Discussion

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

Overview

2018 was the final year of EfficiencyOne's 2016-2018 Demand-side Management Resource Plan, which was approved and regulated by the Nova Scotia Utility and Review Board (UARB). EfficiencyOne attained 419.0 GWh of electricity savings and 75.2 MW of demand savings, exceeding the targets of 405.9 GWh and 62.5 MW, respectively. Total investment to achieve these savings was \$95.1 million, compared to the \$102.2 million budget. Total ratepayer benefits resulting from this investment is \$385.1 million.

EfficiencyOne also achieved 90,566 GJ of non-electric savings in 2018, which helped EfficiencyOne get closer to achieving its four-year energy and carbon emissions savings targets on behalf of the Province of Nova Scotia and the Government of Canada. Total investment to achieve these savings was \$16.1 million, compared to the \$23.1 million budget.

Our Revenues

EfficiencyOne has two revenue sources, represented in our financial statements as two distinct "funds" – the Demand-side Management Fund and the Provincial Fund. The Other Business Fund reports any income from our subsidiary, EfficiencyOne Services, and funding received from Natural Resources Canada.

The Demand-Side Management Fund

Under a fee-for-service agreement as approved by the UARB, EfficiencyOne received \$34.9 million from Nova Scotia Power in 2018 to provide electricity efficiency services. Total investment was \$34.0 million. Under this fee-for-service agreement any underspending from 2016-2018 will be used to fund investment in future years.

The Provincial Fund

In 2018, EfficiencyOne received \$22.6 million from the Province of Nova Scotia under a fee-for-service agreement to support non-electric efficiency and low carbon services. Total investment was \$16.1 million. The remaining \$6.5 million will be used to fund expenditures in future years.

The Other Business Fund

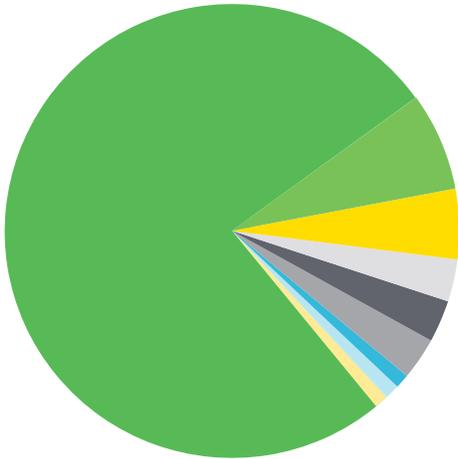
In 2018, EfficiencyOne Services reported net earnings of \$0.006 million. 2018 was the second year of an agreement signed between EfficiencyOne and Natural Resources Canada.

The Commitment Fund

In our 2018 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 2018. These commitments are recognized as accrued liabilities. In 2018, the total commitments were \$13.0 million. Commitments are tied to the following services: Home Energy Assessment, New Home Construction, SolarHomes, First Nations, Affordable Multi-Family Housing, Business Energy Rebates (mail-in portion) and HomeWarming.

Our Investment

This chart provides a breakdown of how each dollar invested in energy efficiency was spent in 2018. Approximately 77 cents of every dollar was directly spent on programs. This includes spending on customer incentives, as well as compensation for staff who work directly on programs.



- \$0.77 - Incentives + direct program spending
- \$0.06 - Non-program salaries + benefits
- \$0.06 - Marketing, outreach + education
- \$0.03 - Evaluation + verification
- \$0.03 - Information technology
- \$0.02 - Rent, office + insurance
- \$0.01 - Program support
- \$0.01 - Training + development
- \$0.01 - Professional fees + consulting

Accountability and Oversight

EfficiencyOne has a number of controls and processes in place to ensure transparency and oversight of performance. Electricity efficiency services are regulated by the UARB, which approves electricity efficiency plans that outline the overall investment in electricity efficiency services and the corresponding savings for ratepayers. EfficiencyOne files publicly-available, quarterly reports with the UARB highlighting electricity efficiency spending and activity.

Non-electric efficiency and low carbon agreements are governed by a fee-for-service agreement with the Province, which receives quarterly and annual reports from EfficiencyOne on non-electric efficiency and low carbon spending and activity.

An Affiliate Code of Conduct governs all interactions between EfficiencyOne and its subsidiary, EfficiencyOne Services.

To further ensure 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 following table:

Independent Audits and Evaluations

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



EFFICIENCYONE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018

EFFICIENCYONE

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DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:

EfficiencyOne

Opinion

We have audited the financial statements of EfficiencyOne (“the Corporation”), which comprise the statement of financial position as at December 31, 2018 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018, and results of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors' Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Report on Other Legal and Regulatory Requirements

We have audited the Corporation's compliance, as at December 31, 2018, 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, 2018, the Corporation has complied, in all material respects, with the cost allocation criteria established by the Efficiency Nova Scotia Cost Allocation Methodology Report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



April 2, 2019
Dartmouth, Nova Scotia

Chartered Professional Accountants
Licensed Public Accountants

EFFICIENCYONE

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2018 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Commitment Fund	Other Business Fund	2018	2017
REVENUES						
Efficiency Nova Scotia (Note 4)	\$ 33,681	\$ 15,666	\$ -	\$ -	\$ 49,347	\$ 42,375
Interest	267	390	-	-	657	353
Other (Note 4)	-	-	-	75	75	79
	<u>33,948</u>	<u>16,056</u>	<u>-</u>	<u>75</u>	<u>50,079</u>	<u>42,807</u>
DIRECT COSTS						
Incentives	21,625	11,942	4,080	-	37,647	30,439
Evaluations and verification	1,110	149	-	-	1,259	1,385
Program support	662	82	-	12	756	464
	<u>23,397</u>	<u>12,173</u>	<u>4,080</u>	<u>12</u>	<u>39,662</u>	<u>32,288</u>
OTHER PROGRAM AND ADMINISTRATIVE COSTS						
Amortization	-	-	-	-	-	16
Information technology	960	426	-	-	1,386	594
Marketing, outreach, education and research	2,147	918	-	47	3,112	2,765
Meetings and travel	134	47	-	-	181	157
Office and insurance	233	106	-	-	339	318
Professional fees and consulting	464	128	-	-	592	534
Rent	437	146	-	-	583	653
Salaries and benefits	5,942	2,003	-	16	7,961	7,087
Training and development	234	109	-	-	343	223
	<u>10,551</u>	<u>3,883</u>	<u>-</u>	<u>63</u>	<u>14,497</u>	<u>12,347</u>
TOTAL COSTS	<u>33,948</u>	<u>16,056</u>	<u>4,080</u>	<u>75</u>	<u>54,159</u>	<u>44,635</u>
NET (DEFICIT) FROM OPERATIONS	-	-	(4,080)	-	(4,080)	(1,828)
INCOME PICKUP FROM SUBSIDIARY (Note 6)	-	-	-	6	6	72
TOTAL SURPLUS (DEFICIT)	-	-	(4,080)	6	(4,074)	(1,756)
Fund Balance - beginning of year	-	-	(8,947)	114	(8,833)	(7,077)
FUND BALANCE - end of year	-	-	(13,027)	120	(12,907)	(8,833)

See accompanying notes to the financial statements

EFFICIENCYONE

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Commitment Fund	Other Business Fund	2018	2017
ASSETS						
CURRENT						
Cash	\$ 30,161	\$ 20,522	\$ -	\$ 4	\$ 50,687	\$ 25,811
Accounts receivable (Note 5)	700	3,999	-	15	4,714	783
HST receivable	139	109	-	-	248	459
Prepays	45	60	-	-	105	90
Loan receivable (Note 10)	4,561	-	-	-	4,561	4,455
	35,606	24,690	-	19	60,315	31,598
INVESTMENT IN EFFICIENCYONE SERVICES INC. (Note 6)	-	-	-	115	115	109
LOAN RECEIVABLE (Note 10)	19,352	-	-	-	19,352	23,913
	\$ 54,958	\$ 24,690	\$ -	\$ 134	\$ 79,782	\$ 55,620
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities (Note 8)	8,018	2,300	13,027	14	23,359	16,883
Deferred revenue (Note 9)	201	7,618	-	-	7,819	6,172
HST payable	452	5	-	-	457	368
Loan payable (Note 10)	4,561	-	-	-	4,561	4,455
Due to ENS Transition Corporation (Note 11)	15,113	-	-	-	15,113	-
	28,345	9,923	13,027	14	51,309	27,878
DEFERRED REVENUE (Note 9)	7,261	14,767	-	-	22,028	12,662
LOAN PAYABLE (Note 10)	19,352	-	-	-	19,352	23,913
	26,613	14,767	-	-	41,380	36,575
FUND BALANCES	-	-	(13,027)	120	(12,907)	(8,833)
EXTERNALLY RESTRICTED	\$ 54,958	\$ 24,690	\$ -	\$ 134	\$ 79,782	\$ 55,620

CONTINGENCIES (Note 12) AND COMMITMENTS (Note 13)

Approved by the Board



William (Bill) Lahey
Chair, Board of Directors



Sean O'Connor
Chair, Finance Committee

See accompanying notes to the financial statements

EFFICIENCYONE

STATEMENT OF CASH FLOWS

AS AT DECEMBER 31, 2018 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Commitment Fund	Other Business Fund	2018	2017
CASH PROVIDED BY (USED FOR):						
OPERATING						
Surplus (deficit)	\$ -	\$ -	\$ (4,080)	\$ 6	\$ (4,074)	\$ (1,756)
Item not affecting cash						
Amortization	-	-	-	-	-	16
	-	-	(4,080)	6	(4,074)	(1,740)
Changes in non-cash working capital items						
Accounts receivable	(120)	(3,875)	-	64	(3,931)	(246)
HST receivable	101	110	-	-	211	501
Prepays	29	(44)	-	-	(15)	(90)
Accounts payable and accrued liabilities	2,050	411	4,080	(65)	6,476	3,093
Deferred revenue	1,049	9,964	-	-	11,013	4,262
HST payable	88	1	-	-	89	(487)
	3,197	6,567	-	5	9,769	5,293
FINANCING						
Due to ENS Transition Corporation	15,113	-	-	-	15,113	-
Loan proceeds	-	-	-	-	-	2,048
Loan repayments	(4,455)	-	-	-	(4,455)	(4,305)
	10,658	-	-	-	10,658	(2,257)
INVESTING						
Income pickup from subsidiary	-	-	-	(6)	(6)	(72)
Loan proceeds	-	-	-	-	-	(2,048)
Loan repayments	4,455	-	-	-	4,455	4,305
	4,455	-	-	(6)	4,449	2,185
CHANGE IN CASH	18,310	6,567	-	(1)	24,876	5,221
CASH - beginning of year	11,851	13,955	-	5	25,811	20,590
CASH - end of year	\$ 30,161	\$ 20,522	\$ -	\$ 4	\$ 50,687	\$ 25,811

See accompanying notes to the financial statements

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. NATURE OF OPERATIONS

EfficiencyOne (“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. (“NS Power”) with reasonably available, cost-effective electricity efficiency and conservation activities. The franchise agreement expires on December 31, 2025.

The Corporation is a not-for-profit organization under the meaning assigned in Section 149.1(1) 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. SIGNIFICANT ACCOUNTING POLICIES (in thousands)

Basis of accounting

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

Fund accounting

a) The Demand-Side Management Fund (“DSM”) is used to account for the operations of the Corporation including reporting the fee-for-service revenues as received from NS Power 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 (“PNS”) 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 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. These Commitments are recorded as accrued liabilities and because of this the Fund Balance is a deficit.

d) The Other Business Fund is used to account for the operations of any subsidiary company of the Corporation and other non-DSM and non-PNS activities.

Revenue recognition

The Corporation follows the deferral method of accounting for Efficiency Nova Scotia 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 PNS Fund in the year in which the revenue is earned.

Expense recognition

The Corporation recognizes incentive costs, such as customer rebates, when energy savings are recognized. Energy savings are recognized at milestones within a contract or when the contract is complete. 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.

Cost allocation methodology

The Corporation follows a Cost Allocation Methodology (“CAM”) to allocate expenses not directly related to a fund, as disclosed in Note 15.

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Use of 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 amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as certain accrued liabilities. Actual results could differ from those estimates.

Subsidiary operations

The Corporation accounts for investments in subsidiary operations using the equity method.

3. FINANCIAL INSTRUMENTS

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

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).

4. REVENUE (in thousands)

Efficiency Nova Scotia Revenue

Effective January 1, 2016, the Corporation entered into a three-year supply agreement with NS Power to provide DSM energy efficiency and conservation activities, under which fees are received monthly. In 2018, the Corporation received \$34,920 in fee-for-service revenue (2017 - \$34,020). Payments received from NS Power were reduced by interest revenue earned in 2016 of \$190.

Effective April 1, 2015, the Corporation finalized a multi-year fee-for-service agreement with the Province of Nova Scotia, under which fees are to be received quarterly, commencing April 1, 2015 and ending March 31, 2019. In 2018, the Corporation received \$12,552 in fee-for-service revenue (2017 – \$12,170). The Corporation also entered into a service agreement for \$7,500 to provide additional services to assist Low Income Nova Scotians. The agreement, effective March 27, 2017, ends March 31, 2019.

Effective June 6, 2018, the Corporation finalized a multi-year fee for service agreement with the Province of Nova Scotia to expand Residential customer services for non-electrically heated homes. Fees are received quarterly under the agreement, which ends December 31, 2022. The Corporation received \$10,036 in 2018.

	Demand-Side Management Fund	Provincial Fund	2018	2017
Fee for service revenue	\$ 34,920	\$ 22,588	\$ 57,508	\$ 53,690
Recognition/(Deferral) of current year revenue	(1,239)	(6,922)	(8,161)	(11,315)
	<u>\$ 33,681</u>	<u>\$ 15,666</u>	<u>\$ 49,347</u>	<u>\$ 42,375</u>

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Other Revenue

The Corporation entered into a contribution agreement with Natural Resources Canada for funding the EnerGuide Real Estate Listings project, beginning on June 14, 2017 and ending on March 31, 2019. The contribution amount is limited to \$203 or 50% of the total project costs. Revenue of \$75 was earned in 2018 (2017 - \$79).

5. ACCOUNTS RECEIVABLE (in thousands)

	Demand-Side		Other			
	Management	Provincial	Business			
	Fund	Fund	Fund	2018	2017	
Trade	\$ 152	\$ 3,919	\$ -	\$ 4,071	\$ 385	
Other	548	80	15	643	398	
	700	3,999	15	4,714	783	
Allowance for doubtful accounts	-	-	-	-	-	
	\$ 700	\$ 3,999	\$ 15	\$ 4,714	\$ 783	

6. INVESTMENT IN EFFICIENCYONE SERVICES INC (in thousands)

The investment represents a 100% interest in the common shares of EfficiencyOne Services Inc. as follows:

	2018	2017
Common shares, at cost	\$ -	\$ -
Equity in cumulative earnings since acquisition	115	109
	\$ 115	\$ 109

Summarized financial information of EfficiencyOne Services Inc. as at December 31, 2018 is as follows:

FINANCIAL POSITION

	2018	2017
Assets	\$ 326	\$ 419
Liabilities	211	310
Equity	115	109
Total Liability and Equity	\$ 326	\$ 419

RESULTS OF OPERATIONS

	2018	2017
Revenue	\$ 1,597	\$ 1,618
Expenses (including a provision for income tax)	1,591	1,546
Net Earnings	\$ 6	\$ 72

CASH FLOW

	2018	2017
Operating	\$ (76)	\$ (137)
Change in Cash	\$ (76)	\$ (137)
Cash - beginning of period	165	302
Cash - end of period	\$ 89	\$ 165

The Corporation renders technical, administrative and marketing services of a routine nature to EfficiencyOne Services Inc. and the value of these services is measured on a fully allocated cost basis, which is the amount of consideration established and agreed to by the related parties. The cost of these services amounted to \$581 in 2018 (2017 - \$517).

	2018	2017
Shared Services	\$ 381	\$ 517
Seconded Services	200	-
	\$ 581	\$ 517

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Included in accounts receivable at December 31 was \$107 (2017 - \$170) due from EfficiencyOne Services Inc., and included in accounts payable was \$79 (2017 - \$68) payable to EfficiencyOne Services Inc.

On August 29, 2017 the UARB approved the Corporation's Code of Conduct ("the Code"). The Code governs transactions between the Corporation's electricity efficiency and conservation activities and its Affiliates. As of December 31, 2018, EfficiencyOne Services Inc. is the Corporation's only Affiliate.

7. BANK INDEBTEDNESS (in thousands)

The Corporation has an operating demand loan of credit available in the amount of \$7,500 bearing interest at the bank prime rate, payable monthly. At year end, the Corporation has no draws against the line of credit.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (in thousands)

	Demand-Side Management Fund	Provincial Fund	Commitment Fund	Other Business Fund	2018	2017
Accounts payable and accrued liabilities	\$ 8,018	\$ 2,300	\$ 13,027	\$ 14	\$23,359	\$16,883

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 2018, the total commitments are \$13,027 (2017 - \$8,947) with the DSM Fund share of \$4,531 (2017 - \$3,030) and the Provincial Fund share of \$8,496 (2017 - \$5,917).

The incentive commitments are calculated on a program-by-program basis as at December 31, 2018. For Residential programs, commitments made to Nova Scotians enrolled in the New Home Construction, Home Energy Assessment, SolarHomes, First Nations 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. SolarHomes estimates are based on preapproved customers and rebate amounts. First Nations estimates are based on the total number of committed homes. 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 and Affordable Multi-Family Housing program. Business Energy Rebate estimates are calculated using the total value of preapproved mail-in rebate applications received. Affordable Multi-Family Housing estimates are based on preapproved customers and rebate amounts.

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9. DEFERRED REVENUE (in thousands)

	Demand-Side Management		Provincial	
	Fund	Fund	2018	2017
Opening	\$ 6,413	\$ 12,421	\$ 18,834	\$ 14,572
Recognition of 2016 Deferred Revenue	(190)	-	(190)	(7,053)
Deferral of current year revenue	1,239	6,922	8,161	11,315
Deferral of 2019 revenue	-	3,042	3,042	-
	7,462	22,385	29,847	18,834
Less Current Portion	201	7,618	7,819	6,172
	\$ 7,261	\$ 14,767	\$ 22,028	\$ 12,662

10. LOAN RECEIVABLE/PAYABLE (in thousands)

The UARB requested that the Corporation assess the viability of external financing of NS Power's DSM deferral balance of \$35,000 from 2015 ("2015 DSM Deferral"). The Corporation determined that such external financing could result in savings for NS Power's customers. In April 2016, the UARB directed the Corporation to proceed with funding of the unamortized portion of the 2015 DSM Deferral in accordance with the arrangements previously explored and described by the Corporation in a filing to the UARB dated February 16, 2016. On December 1, 2016 the Corporation borrowed the sum of \$30,625 from the Toronto Dominion Bank ("TD") with a fixed interest rate of 2.355% repayable in 84 equal monthly payments.

On December 1, 2016 the Corporation advanced the sum of \$30,625 to NS Power and entered into an Undertaking to Pay with NS Power, whereby NS

Power is obligated to make 84 equal monthly payments that correspond in amount and timing of those the Corporation is obligated to make to TD.

In accordance with direction from the UARB, the Corporation finalized another loan arrangement on February 1, 2017 with TD in the amount of \$2,048 representing the accrued return earned by NS Power on the 2015 DSM Deferral. On February 1, 2017 the Corporation borrowed the sum of \$2,048 from TD which is repayable in 82 equal monthly payments. On the same date, the Corporation advanced the sum of \$2,048 to NS Power and entered into an Undertaking to Pay with NS Power, whereby NS Power is obligated to make 82 equal monthly payments that correspond exactly to the amount and timing of those the Corporation is obligated to make to TD.

The payment obligations for the term of the loans are outlined in the table below.

	Total Principal	Total Interest	Total Payment Amount
2019	\$ 4,561	\$ 515	\$ 5,076
2020	4,669	407	5,076
2021	4,781	296	5,077
2022	4,895	181	5,076
2023	5,007	72	5,079
Remaining Balance	\$ 23,913	\$ 1,471	\$ 25,384

11. DUE TO ENS TRANSITION CORPORATION (in thousands)

On August 14, 2018, ENS Transition Corporation ("ENSTC") reached a settlement agreement with the Minister of National Revenue on the Notice of Appeal filed in the Tax Court of Canada regarding the DSM HST Receivable of \$14,123. The Corporation received \$1,677 on September 11, 2018 and \$13,341 on September 18, 2018, representing full payment of the receivable plus \$895 in interest. An additional \$95 in interest has been earned as of December 31, 2018.

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The Electricity Efficiency and Conservation Restructuring (2014) Act, Section 8, states “Any assets of the Corporation [ENSTC] acquired on or after the Implementation Date must be transferred to Nova Scotia Power Incorporated for the benefit of the customers of Nova Scotia Power Incorporated as directed by the [Nova Scotia Utility and Review] Board.” This refers to the DSM HST Receivable. These funds are being held in a separate bank account until such time as the UARB directs the return of these funds.

12. CONTINGENCIES (in thousands)

The Corporation has an agreement with NS Power 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 NS Power for repayment terms up to 48 months. Financing costs related to the principal are paid to NS Power 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, 2018 the balance of total financing extended was \$2,635 (2017 - \$1,351).

13. COMMITMENTS (in thousands)

a) The Corporation has entered into a lease agreement, expiring December 31, 2025, for the rental of its office premises. Minimum annual lease payments over the term of the agreement are as follows:

Year	Annual Lease Payments
2019	332
2020	332
2021	332
2022	304
2023	332
2024	304

2025

304

b) The Corporation has entered into a contract for the development and implementation of a new data management system. The remaining payments will not exceed \$664 US.

c) The Corporation has entered into a contract for the delivery of a Green Schools Nova Scotia program. The cost will be \$401 in 2019, \$399 in 2019 and \$216 in 2020.

14. RISK MANAGEMENT

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

	Risks			
	Credit	Liquidity	Currency	Market risk 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.

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

ii) Accounts receivable and loan receivable

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

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. The loan

payable payments are remitted monthly, as aligned within the loan payment schedule and the loan receivable amounts from NS Power.

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, 2018

15. COST ALLOCATION METHODOLOGY (in thousands)

	Allocator	Expenses Subject to Allocation	DSM Fund Allocation	Provincial Fund Allocation
Information technology	FTE	\$ 474	\$ 356	\$ 118
Information technology	Direct	912	604	308
Marketing, outreach, education and research	Direct	1,624	971	653
Meetings and travel	Direct	104	68	36
Office and insurance	FTE	101	76	25
Office and insurance	Direct	238	157	81
Professional fees and consulting	Direct	251	161	90
Program support	Direct	6	6	-
Rent	FTE	583	437	146
Salaries and benefits	FTE	7,945	5,942	2,003
Training and development	FTE	343	234	109
		\$ 12,581	\$ 9,012	\$ 3,569

The Corporation engages in DSM programs (contained in the DSM Fund) and other energy efficiency and conservation programs (contained in the Provincial 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 ENSC Cost Allocation Methodology Report. The CAM is subject to regular review by the UARB.

**Looking forward to enjoying
the good things efficiency
brings in 2019.**

