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

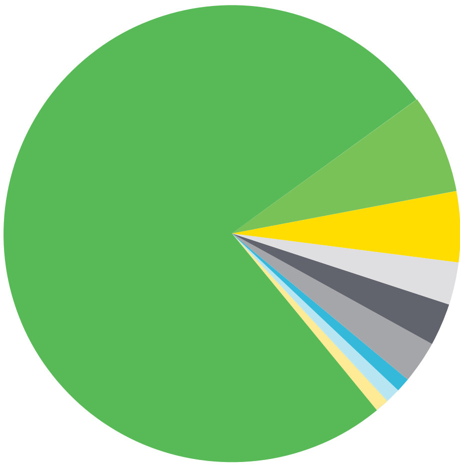
In 2018, EfficiencyOne Services reported net earnings of $0.006 million. 2018 was the second year of an agreement signed between EfficiencyOne and Natural Resources Canada.

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
INDEX
DECEMBER 31, 2018

Baker Tilly Nova Scotia Inc.
Suite 201 -130 Eileen Stubbs Avenue
City of Lakes Business Park
Dartmouth, Nova Scotia
B3B 1Y1 Canada
T: 902.404.4000
F: 902.404.3099
Email: halifax@bakertilly.ca
www.bakertilly.com

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.

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.

Baker Tilly Nova Scotia Inc

April 2, 2019
Dartmouth, Nova Scotia

Chartered Professional Accountants
Licensed Public Accountants

bakertilly

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
	33,948	16,056	-	75	**50,079**	42,807
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
	23,397	12,173	4,080	12	**39,662**	32,288
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
	10,551	3,883	-	63	**14,497**	12,347
TOTAL COSTS	33,948	16,056	4,080	75	**54,159**	44,635
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
Prepaids	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
Prepaids	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

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.

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)
	$ 33,681	$ 15,666	**$ 49,347**	$ 42,375

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 Management Fund	Provincial Fund	Other Business 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

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.

9. DEFERRED REVENUE (in thousands)

	Demand-Side Management Fund	Provincial 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.

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			
			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 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.

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.