

TC1.5

Q

Numerical illustration

A. SEIM Reward Potential (ROE Premium) for each of 2019 and 2020
 = $(10.5\% - 10\%) * 50\% * 50\%$
 = **0.125%**

B. ROE Premium% for each of 2019 and 2020
 = $\text{Min}[0.125\%, 0.5\%]$
 = **0.125%**

C. ROE Premium \$ for each of 2019 and 2020
 = \$4 billion * 36% * **0.125%**
 = \$1.8 million for each of 2019 and 2020

\$3.6 million



D. Revenue Premium \$ for each of 2019 and 2020
 = \$1.8 million / $(1 - 0.265)$
 = \$2.5 million for each of 2019 and 2020

I. NPV* of benefits from the Productivity Initiatives Report for projects undertaken between 2014-2018 > \$3.6 million (SEIM reward potential earnings)

2018 Productivity Initiatives Report

Initiatives or Projects Net Benefits (\$ Millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total NPV
A				\$(14)	\$0.5	\$1.5	\$2	\$3	\$4	\$5	\$2
B	\$(2.5)	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5			\$1
C					\$(3)	\$1	\$1	\$1	\$1		\$1
D			\$(5)	\$(2)	\$0.5	\$1.5	\$2	\$2	\$2		\$1
Total	\$(2.5)	\$0.5	\$(4.5)	\$(15.5)	\$(1.5)	\$4.5	\$5.5	\$6.5	\$7	\$5	\$5

NPV of Benefits from the Productivity Initiatives Report:
= \$2 + \$1 + \$1 + \$1 million = \$5 million > \$3.6 million

*The NPV of the net benefits will be determined using the same financial parameters (capital structure, cost of capital, tax rates, etc.) as are used for customer additions feasibility analysis

III. Maintain at or above the 2013 level of EGD's overall SQR performance for at least three of the five years during 2014-2018. To be permitted to recover the SEIM reward, on average EGD must meet or exceed its 2013 SQR performance in at least 3 of the 5 years of the IR term.

SQR Metrics	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	Years at/or above
Call Answering Service Level	78.4%	78.5%	78.6%	78.7%	78.8%	78.9%	5
Percentage of Emergency Calls Responded to within One Hour	96.9%	96.9%	97%	97%	97%	98%	5
Meter Reading Performance Measurement	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	5
Appointments Met within the Designated Time Period	93.3%	92%	92%	94%	94%	94%	3
Time to Reschedule a Missed Appointments	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	5
Number of Days to Reconnect a Customer	94.1%	94.1%	94.1%	94.1%	94.1%	94.1%	5
Number of Days to provide a Written Response	83.14%	82%	84%	85%	85.5%	86.6%	4
Number of Calls Abandon Rate	2.4%	2.3%	2.3%	2.2%	2.2%	2.2%	5
Average							4.625