

St. Thomas Energy Inc.  
135 Edward St.  
St. Thomas, ON  
N5P 4A8

April 25, 2014

Ms. Kirstin Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto, ON M4P 1E4

**Re: St. Thomas Energy Inc  
2015 Cost of Service Distribution Rate Application  
Board File No. EB-2014-0113**

Dear Ms. Walli:

On February 20, 2014, the Board issued a letter to all electricity distributors in which it identified the distributors that are expected to file a rebasing application in respect to their 2015 rates. St. Thomas Energy Inc. was on that list.

Pursuant to the Board's letter, please find accompanying this letter two copies of St. Thomas Energy Inc.'s 2015 Cost of Service Application for Electricity Distribution Rates and Charges effective January 1, 2015.

Electronic versions of the Application and associated live excel models will be uploaded to the Board via the RESS portal

Yours Truly,

Robert Kent, Director Finance and Regulatory Affairs  
St. Thomas Energy Inc.  
135 Edward Street  
St. Thomas ON, N5P 4A8

Tel: 519-631-5550 ext 5258  
Fax: 519-631-4771  
rkent@sttenergy.com



**St. Thomas Energy Inc.**

**2015 Cost of Service  
Application  
EB-2014-0113**

**Rates Effective: January 1, 2015**

**Date Filed: April 25, 2014**

**St. Thomas Energy Inc.  
135 Edward St.  
St. Thomas, ON  
N5P 4A8**

# **Exhibit 1**

## **ADMINISTRATION**

## Exhibit 1

---

Tab 1 of 5

Introduction



## Table of Contents

Title	Reference
<b>1.0 ADMINISTRATION</b>	<b>E1</b>
<b>1.1 Introduction</b>	<b>E1\T1</b>
1.1.1 Table of Contents	E1\T1\S1
1.1.2 Legal Application	E1\T1\S2
<b>1.2 Advanced Application</b>	<b>E1\T2</b>
1.2.1 Cost of Service Application in Advance of Scheduled Application	E1\T2\S1
<b>1.3 Seeking Approval to Align Rate Year with Fiscal Year</b>	<b>E1\T3</b>
1.3.1 Seeking Approval to Align Rate Year with Fiscal Year	E1\T3\S1
<b>1.4 General Requirements</b>	<b>E1\T4</b>
1.4.1 Integrated Distribution Planning for Eligible Investments to Connect Qualifying Generation Facilities	E1\T4\S1
1.4.2 Accounting Standards	E1\T4\S2
<b>1.5 Administrative Documents</b>	<b>E1\T5</b>
1.5.1 Executive Summary	E1\T5\S1
1.5.2 Customer Engagement	E1\T5\S2
1.5.2.1 Customer Satisfaction Survey Results	E1\T5\S2\Att1
1.5.2.1.1 Customer Satisfaction Survey Results	E1\T5\S2\Att1.1
1.5.2.2 Utility Pulse 2012 Summary	E1\T5\S2\Att2
1.5.2.2.1 2015 Utility Pulse 2012 Summary	E1\T5\S2\Att2.1
1.5.2.3 2015 Cost of Service-Stakeholder Presentation	E1\T5\S2\Att3
1.5.2.3.1 2015 Cost of Service-Stakeholder Presentation	E1\T5\S2\Att3.1

## Title

## Reference

1.5.3 Financial Information	E1\T5\S3
1.5.3.1 2013 Audited Financial Statements	E1\T5\S3\Att1
1.5.3.1.1 2013 Audited Financial Statement	E1\T5\S3\Att1.1
1.5.3.2 2012 Audited Financial Statements	E1\T5\S3\Att2
1.5.3.2.1 2012 Audited Financial Statement	E1\T5\S3\Att2.1
1.5.3.3 Parent Company 2012 Financial Statements	E1\T5\S3\Att3
1.5.3.3.1 2012 Audited Financial Statement	E1\T5\S3\Att3.1
1.5.4 Materiality Treshold	E1\T5\S4
1.5.5 Abbreviations and Defined Terms	E1\T5\S5
1.5.6 Statement of Publication	E1\T5\S6
1.5.7 Application Contact Information	E1\T5\S7
1.5.8 Rate Order Requirement for Implementation	E1\T5\S8
1.5.9 Statement of the Form of Hearing Requested	E1\T5\S9
1.5.10 List of Specific Approvals Requested	E1\T5\S10
1.5.11 Board Direction from Previous EDR Decisions	E1\T5\S11
1.5.12 Compliance Orders	E1\T5\S12
1.5.13 Existing/Proposed Accounting Orders	E1\T5\S13
1.5.14 Description of Applicants Service Area	E1\T5\S14
1.5.14.1 Service Area Map	E1\T5\S14\Att1
1.5.14.1.1 Service Area Map	E1\T5\S14\Att1.1
1.5.15 List of Neighboring Utilities	E1\T5\S15
1.5.16 Host\Embedded Distributor	E1\T5\S16
1.5.17 Corporate Information	E1\T5\S17

## Title

## Reference

1.5.17.1 Corporate and Utility Organizational Structure	E1\T5\S17\Att1
1.5.17.1. Corporate and Utility Organizational Structure	E1\T5\S17\Att1.1
1.5.17.2 Planned Changes to the Operational Structure	E1\T5\S17\Att2
1.5.17.2.1 Planned Changes to the Operational Structure	E1\T5\S17\Att2.1
1.5.17.3 Board of Directors	E1\T5\S17\Att3
1.5.17.3.1 Board of Directors	E1\T5\S17\Att3.1
1.5.17.4 Board Member Orientation Package	E1\T5\S17\Att4
1.5.17.4.1 Board Memeber Orientation Package	E1\T5\S17\Att4.1
1.5.17.5 Charter-Audit Committee	E1\T5\S17\Att5
1.5.17.5.1 Charter-Audit Committee	E1\T5\S17\Att5.1
1.5.17.6 Charter-Compensation Committee	E1\T5\S17\Att6
1.5.17.6.1 Charter-Compensation Committee	E1\T5\S17\Att6.1
1.5.17.7 Annual Attestation Form	E1\T5\S17\Att7
1.5.17.7.1 Annual Attestation Form	E1\T5\S17\Att7.1
1.5.17.8 Board Backgrounder	E1\T5\S17\Att8
1.5.17.8.1 Board Backgrounder	E1\T5\S17\Att8.1
1.5.17.9 Charter-GNC	E1\T5\S17\Att9
1.5.17.9.1 Charter-GNC	E1\T5\S17\Att9.1
1.5.17.10 Charter-STEI Board	E1\T5\S17\Att10
1.5.17.10.1 Charter-STEI Board	E1\T5\S17\Att10.1
1.5.17.11 Code of Conduct	E1\T5\S17\Att11
1.5.17.11.1 Code of Conduct	E1\T5\S17\Att11.1

## Title

## Reference

1.5.17.12 Conflict of Interest	E1\T5\S17\Att12
1.5.17.12.1 Conflict of Interest	E1\T5\S17\Att12.1
1.5.17.13 Recruitment and Selection	E1\T5\S17\Att13
1.5.17.13.1 Recruitment and Selection	E1\T5\S17\Att13.1
1.5.17.14 Role and Responsibilities-Chair STEI	E1\T5\S17\Att14
1.5.17.14.1 Role and Responsibilities-Chair STEI	E1\T5\S17\Att14.1
1.5.17.15 Role and Responsibilities-Director STEI	E1\T5\S17\Att15
1.5.17.15.1 Role and Responsibilities-Director STEI	E1\T5\S17\Att15.1
1.5.17.16 Training and Development, Director	E1\T5\S17\Att16
1.5.17.16.1 Training and Development, Director	E1\T5\S17\Att16.1
1.5.17.17 Work Plan-STEI	E1\T5\S17\Att17
1.5.17.17.1 Work Plan-STEI	E1\T5\S17\Att17.1
1.5.17.18 Meeting Schedule-2013	E1\T5\S17\Att18
1.5.17.18.1 Meeting Schedule -2013	E1\T5\S17\Att18.1
1.5.17.19 Meeting Schedule-2014	E1\T5\S17\Att19
1.5.17.19.1 Meeting Schedule -2014	E1\T5\S17\Att19.1
1.5.17.20 2013 Management Discussion and Analysis	E1\T5\S17\Att20
1.5.17.20.1 2013 Management Discussion and Analysis	E1\T5\S17\Att20.1
1.5.18 Statement of Deemed Transmission Assets	E1\T5\S18
1.5.19 Statement of Deviation from Filing Requirements	E1\T5\S19
1.5.20 Statement of Change in Methodologies	E1\T5\S20
1.5.21 Accounting Treatment of Non-Utility Business	E1\T5\S21
1.5.22 Previous Board Directives	E1\T5\S22

<b>Title</b>	<b>Reference</b>
1.5.23 Conditions of Service	E1\T5\S23
1.5.23.1 Conditions of Service	E1\T5\S23\Att1
1.5.23.1.1 Conditions of Service	E1\T5\S23\Att1.1
<b>2.0 RATE BASE</b>	<b>E2</b>
<b>2.1 Rate Base</b>	<b>E2\T1</b>
2.1.1 Rate Base Overview	E2\T1\S1
2.1.2 Gross Assets (PP&E)	E2\T1\S2
2.1.3 Treatment of Stranded Assets Related to Smart Meter Deployment	E2\T1\S3
2.1.4 Capital Expenditures	E2\T1\S4
2.1.5 Planning	E2\T1\S5
2.1.6 Required Information	E2\T1\S6
2.1.7 Capitalization Policy	E2\T1\S7
2.1.8 Capitalization of Overhead	E2\T1\S8
2.1.9 Cost of Eligible Investments for Distributors	E2\T1\S9
2.1.10 Addition of ICM Assets to Rate Base	E2\T1\S10
2.1.11 Service Quality and Reliability Performance	E2\T1\S11
2.1.11.1 STEI Consolidated DSP	E2\T1\S11\Att1
2.1.11.1.1 STEI Consolidated DSP	E2\T1\S11\Att1.1
2.1.11.2 STEI Capital Plans 2015-2019	E2\T1\S11\Att2
2.1.11.2.1 STEI Capital Plans 2015-2019	E2\T1\S11\Att2.1
<b>3.0 OPERATING REVENUE</b>	<b>E3</b>
<b>3.1 Load and Revenue Forecasts</b>	<b>E3\T1</b>

<b>Title</b>	<b>Reference</b>
3.1.1 Load and Revenue Forecasts	E3\T1\S1
3.1.2 Multivariate Regression Model	E3\T1\S2
3.1.3 Normalized Average Use per Customer ("NAC") Model	E3\T1\S3
3.1.3.1 Weather Normalized Distribution System Load Report	E3\T1\S3\Att1
3.1.3.1.1 Weather Normalized Distribution System Load Report	E3\T1\S3\Att1.1
3.1.4 CDM Adjusted for the Load Forecast for Distributors	E3\T1\S4
3.1.4.1 2012 CDM Annual Report	E3\T1\S4\Att1
3.1.4.1.1 2012 CDM Annual Report Template	E3\T1\S4\Att1.1
3.1.4.2 Final Verified 2012 CDM Annual Report	E3\T1\S4\Att2
3.1.4.2.1 Final Verified 2012 CDM Annual Report	E3\T1\S4\Att2.1
3.1.5 Accuracy of Load Forecast and Variance Analysis	E3\T1\S5
3.1.6 Other Revenue	E3\T1\S6
<b>4.0 OPERATING COSTS</b>	<b>E4</b>
<b>4.1 Overview</b>	<b>E4\T1</b>
4.1.2 Overview	E4\T1\S1
4.1.2 Summary and Cost Driver Tables	E4\T1\S2
4.1.3 Program Delivery Costs with Variance Analysis	E4\T1\S3
4.1.4 Employee Compensation Breakdown	E4\T1\S4
4.1.4.1 Management Job Evaluation	E4\T1\S4\Att1
4.1.4.1.1 Management Job Evaluation	E4\T1\S4\Att1.1
4.1.4.2 Pay Equity Plan	E4\T1\S4\Att2
4.1.4.2.1 Pay Equity Plan	E4\T1\S4\Att2.1
4.1.4.3 Benefits Information Package	E4\T1\S4\Att3

## Title

## Reference

4.1.4.3.1 Benefits Information Package	E4\T1\S4\Att3.1
4.1.4.4 Estimated Benefit Expense	E4\T1\S4\Att4
4.1.4.4. Estimated Benefit Expense	E4\T1\S4\Att4.1
4.1.5 Shared Services and Corporate Cost Allocation	E4\T1\S5
4.1.5.1 Cost Driver Study	E4\T1\S5\Att1
4.1.5.1.1 1 Cost Driver Study	E4\T1\S5\Att1.1
4.1.5.2 SLA-Water and Sewer	E4\T1\S5\Att2
4.1.4.2.1 2 SLA-Water and Sewer	E4\T1\S5\Att2.1
4.1.6 Purchase of Non-Affiliate Services	E4\T1\S6
4.1.6.1 Procurement Policy	E4\T1\S6\Att1
4.1.6.1.1 Procurement Policy	E4\T1\S6\Att1.1
4.1.7 One-time Costs	E4\T1\S7
4.1.8 Regulatory Costs	E4\T1\S8
4.1.9 Low-income Energy Assistance Programs (LEAP)	E4\T1\S9
4.1.10 Charitable and Political Donations	E4\T1\S10
4.1.11 Depreciation/Amortization/Depletion	E4\T1\S11
4.1.11.1 KPMG-IFRS Conversion Impact Assesment	E4\T1\S11\Att1
4.1.11.1.1 KPMG-IFRS Conversion Impact Assesment	E4\T1\S11\Att1.1
4.1.11.2 Depreciation Study	E4\T1\S11\Att2
4.1.11.2.1 Depreciation Study	E4\T1\S11\Att2.1
4.1.12 Taxes or Payments in Lieu of Taxes (PILs)	E4\T1\S12
4.1.12.1 Tax Returns	E4\T1\S12\Att1

## Title

## Reference

4.1.12.1.1 2012 Tax Returns	E4\T1\S12\Att1.1
4.1.12.1.2 2011 Tax Returns	E4\T1\S12\Att1.2
4.1.12.2 2012 SRED Filing	E4\T1\S12\Att2
4.1.12.2.1 2012 SRED Filing Part 1	E4\T1\S12\Att2.1
4.1.12.2.2 2012 Auditor SRED Filing Part 2	E4\T1\S12\Att2.2
4.1.12.3 OEB-PILS Model	E4\T1\S12\Att3
4.1.12.3.1 OEB-PILS Model	E4\T1\S12\Att3.1
4.1.13 Non-recoverable and Disallowed Expenses	E4\T1\S13
4.1.14 Integrity Checks	E4\T1\S14
4.1.15 Conservation and Demand Management Costs	E4\T1\S15
4.1.16 Lost Revenue Adjustment Mechanism	E4\T1\S16
4.1.16.1 STEI 2011 and 2012 LRAMVA	E4\T1\S16\Att1
4.1.16.1.1 STEI 2011 and 2012 LRAMVA	E4\T1\S16\Att1.1
4.1.17 LRAM for pre-2011 CDM Activities	E4\T1\S17
<b>5.0 COST OF CAPITAL AND CAPITAL STRUCTURE</b>	<b>E5</b>
<b>5.1 Capital Structure and Cost of Capital</b>	<b>E5\T1</b>
5.1.1 Capital Structure	E5\T1\S1
5.1.2 Cost of Capital (Return on Equity and Cost of Debt)	E5\T1\S2
5.1.2.1 Promissory Note Agreement	E5\T1\S2\Att1
5.1.2.1.1 Promissory Note Agreement	E5\T1\S2\Att1.1
5.1.3 Non-for-Profit Corporations	E5\T1\S3
<b>6.0 CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY</b>	<b>E6</b>



<b>Title</b>	<b>Reference</b>
<b>6.1 Calculation of Revenue Deficiency or Sufficiency</b>	<b>E6\T1</b>
6.1.1 Revenue Deficiency or Sufficiency	E6\T1\S1
6.1.1.1 OEB RRWF Model	E6\T1\S1\Att1
6.1.1.1.1 OEB RRWF Model	E6\T1\S1\Att1.1
<b>7.0 COST ALLOCATION</b>	<b>E7</b>
<b>7.1 Cost Allocation</b>	<b>E7\T1</b>
7.1.1 Cost Allocation Study Requirements	E7\T1\S1
7.1.2 Revenue to Cost Ratio	E7\T1\S2
7.1.3 Class Revenue Requirements	E7\T1\S3
7.1.3.1 Elenchus Report on Cost Allocation	E7\T1\S3\Att1
7.1.3.1.1 Elenchus Report on Cost Allocation	E7\T1\S3\Att1.1
<b>8.0 RATE DESIGN</b>	<b>E8</b>
<b>8.1 Rate Design</b>	<b>E8\T1</b>
8.1.1 Fixed/Variable Portion	E8\T1\S1
8.1.2 Retail Transmission Service Rates (RTSR)	E8\T1\S2
8.1.2.1 OEB-RTSR	E8\T1\S2\Att1
8.1.2.1.1 OEB-RTSR	E8\T1\S2\Att1.1
8.1.3 Retail Service Charges	E8\T1\S3
8.1.4 WMSR and RRRP	E8\T1\S4
8.1.5 Smart Metering Charge	E8\T1\S5
8.1.6 Specific Service Charges	E8\T1\S6
8.1.7 Low Voltage Service Rates	E8\T1\S7

<b>Title</b>	<b>Reference</b>
8.1.8 Loss Adjustment Factors	E8\T1\S8
8.1.9 Tariff of Rates and Charges	E8\T1\S9
8.1.9.1 Current Tariff of Rates and Charges	E8\T1\S9\Att1
8.1.9.1.1 Current Tariff of Rates and Charges	E8\T1\S9\Att1.1
8.1.9.2 Proposed Tariff of Rates and Charges	E8\T1\S9\Att2
8.1.9.2.1 Proposed Tariff of Rates and Charges	E8\T1\S9\Att2.1
8.1.9.3 Tracked Changes Rate Order	E8\T1\S9\Att3
8.1.9.3.1 Tracked Changes Rate Order	E8\T1\S9\Att3.1
8.1.10 Revenue Reconciliation	E8\T1\S10
8.1.11 Bill Impact Information	E8\T1\S11
8.1.12 Rate Mitigation	E8\T1\S12
8.1.13 Rate Harmonization Mitigation Issues	E8\T1\S13
<b>9.0 DEFERRAL AND VARIANCE ACCOUNTS</b>	<b>E9</b>
<b>9.1 EDDVAR Deferral and Variance Accounts</b>	<b>E9\T1</b>
9.1.1 Overview	E9\T1\S1
9.1.2 Account 1592 - Harmonized Sales Tax Deferral Account	E9\T1\S2
9.1.3 Account 1508 - One-time Incremental IFRS Costs	E9\T1\S3
9.1.4 Account 1575 - IFRS-CGAAP Transitional PP&E Amounts	E9\T1\S4
9.1.5 Account 1576 - Accounting Changes Under CGAPP	E9\T1\S5
9.1.6 Retail Service Charges	E9\T1\S6
9.1.7 Disposition of Deferral and Variance Accounts	E9\T1\S7
9.1.7.1 EDDVAR Continuity Schedule	E9\T1\S7\Att1
9.1.7.1.1 EDDVAR Continuity Schedule	E9\T1\S7\Att1.1

## Title

## Reference

9.1.8 LRAM variance Account (LRAMVA) 2011 - 2014

E9\T1\S8

9.1.9 Disposition of the LRAMVA

E9\T1\S9

9.1.10 Smart Meters

E9\T1\S10

## 10.0 APPENDICES AND COST OF SERVICE CHECKLIST

## E10

### 10.1 Overview

### E10\T1

10.1.1 Appendices

E10\T1\S1

10.1.1.1 OEB Appendices

E10\T1\S1\Att1

10.1.1.1.1 OEB Appendices

E10\T1\S1\Att1.1

10.1.1.1.2 Board Appendix 2-BA2

E10\T1\S1\Att1.2

10.1.1.1.3 Board Appendix 2-N

E10\T1\S1\Att1.3

10.1.1.1.4 Board Appendix 2-AA

E10\T1\S1\Att1.4

10.1.1.2 Cost of Service Checklist

E10\T1\S1\Att2

10.1.1.2.1 Cost of Service Checklist

E10\T1\S1\Att2.1

## LEGAL APPLICATION

**EB-2014-0113**

IN THE MATTER OF the *Ontario Energy Board Act*,  
1998, S.O. 1998, c.15 (Sched. B), as amended

AND IN THE MATTER OF an application by St. Thomas  
Energy Inc. for an Order or Orders pursuant to section 78 of  
the *Ontario Energy Board Act, 1998* for 2015 distribution rates  
and other charges as of January 1, 2015.

- 1) STEI is a licensed electricity distributor operating pursuant to license ED-2002-0523. STEI distributes electricity to approximately 16,700 customers in the City of St. Thomas pursuant to a distribution license (ED-2002-0523) issued by the Ontario Energy Board (the "Board") and charges Board-authorized rates for the distribution service it provides.
- 2) On February 20, 2014, the Board issued a letter to all electricity distributors in which it identified the distributors that are expected to file a rebasing application in respect to their 2015 rates. STEI was on that list.
- 3) STEI has prepared this Application in accordance with the Board's *Filing Requirements for Electricity Transmission and Distribution Applications* as updated on July 17, 2013.
- 4) STEI hereby applies to the Ontario Energy Board (the "Board") for an order or orders made pursuant to Section 78 of the *Ontario Energy Board Act, 1998*, as amended, (the "OEB Act") approving just and reasonable rates for the distribution of electricity effective January 1, 2015 based on a 2015 test year. A list of requested approvals is set out in Exhibit 1, Tab 5, Schedule 11.

5) This Application is made in accordance with the Board's Chapter 2 of the Board's Filing Requirements for Transmission and Distribution Applications dated July 17, 2013.

6) This Application is supported by written evidence. The written evidence will be filed and may be amended from time to time, prior to the Board's final decision on this Application..

7) The Applicant requests that this hearing be conducted by way of a written hearing in order to expedite the proceeding to ensure that rates will be implemented on January 1, 2015.

8) The Applicant requests that a copy of all documents filed with the Board in this proceeding be served on the Applicant and the Applicant's advisor, as follows:

**Applicants Name:** St. Thomas Energy Inc.

**Applicants Address:** 135 Edward Street  
St. Thomas On  
N5P 4A8

**Applicants Website** www.sttenergy.com

**Applicants Contact:** Robert Kent  
Director Financial and Regulatory Affairs  
Email: rkent@sttenergy.com  
Phone: 519-631-5550 x 5258  
Fax: 519-631-4771

**Applicants Counsel:** Mr. Andrew Taylor  
The Energy Boutique

1 120 Adelaide Street West  
2 Suite 2500  
3 Toronto, Ontario  
4 M5H 1T1  
5 Email: ataylor@energyboutique.ca  
6 Phone: 416-644-1568  
7 Fax: 416-367-1954  
8  
9

10 **Certification of Evidence**

11 As President and Chief Operating Officer of St. Thomas Energy Inc., I certify that, to the best of  
12 my knowledge, the evidence filed in this Application is accurate and consistent with Chapter  
13 Two of the Ontario Energy Board's Filing Requirements for Transmission and Distribution  
14 Applications issued on July 17, 2013 and Chapter Five.  
15

16   
17 \_\_\_\_\_

18 Gary Tobin

19 President & Chief Operating Officer

## Exhibit 1

---

Tab 2 of 5

Advanced Application

**COST OF SERVICE APPLICATION IN ADVANCE OF  
SCHEDULED APPLICATION**

STEI is not filing a Cost of Service application in advance of the OEB's schedule as outlined in its February 20, 2014 letter on Applications for 2015 Electricity Rates.



## Exhibit 1

---

### Tab 3 of 5

# Seeking Approval to Align Rate Year with Fiscal Year

## **SEEKING APPROVAL TO ALIGN RATE YEAR WITH FISCAL YEAR**

STEI is seeking approval to align its rate year with its fiscal year, which is a calendar year.

The Filing Requirements for Electricity Distribution Rate Applications, July 17, 2013, requires Distributors that seek to align their rate year with their fiscal year to provide a discussion of the rationale with the proposed alignment.

The Board requires all electricity distributors to produce audited financial statements and a trial balance in the Uniform System of Accounts ("USofA") based on the calendar year. Thus the fiscal year for electricity distributors is the calendar year.

The rate year for electricity distributors has evolved. Up until 2000, the rate year always commenced on January 1. In 2000, the Board released the Electricity Distribution Rate Handbook which changed the start of the rate year to March 1. This remained until 2004, at which time the Board changed the start of the rate year to April 1. For 2006, the Board released the 2006 Electricity Distribution Rate Handbook which changed the start of the rate year to May 1, where it has remained for most distributors. Throughout this period of time, the fiscal year for distributors did not change. The changes for the rate year were generally based on administrative practices and to align distribution rate changes with commodity rate changes.

STEI is proposing for its 2015 Cost of Service Application that rates commence on January 1, 2015 to once again align with its fiscal year.

STEI believes that by aligning the rate year with the fiscal year is beneficial for the following reasons:

- Aligning the rate year and the fiscal year will eliminate a number of issues for STEI. As noted by Enersource Hydro Mississauga ("Enersource") in proceeding EB-2009-0193, distributors must explain results to the investment community. This is true not only for

1 "public issuers" such as Enersource but also distributors such as STEI who must report  
2 results to financial institutions and the company's shareholder.

3  
4 The Enersource Decision stated:

5  
6 *"While the Board accepts Enersource's argument that aligning its rate year with its*  
7 *financial year would simplify reporting to the investment community and thus sees merit*  
8 *in the request, the Board believes that other distributors, particularly those that are*  
9 *reporting issuers, may also be interested in a change in rate year to January 1."*  
10  
11

- 12 • Explanations of financial results are complicated if the revenues are not aligned with the  
13 costs, particularly in a year with a cost of service rate application. This misalignment  
14 means that explanations must include a discussion about the impact of the stub periods  
15 from the previous rate year, and makes it more difficult to explain the company's  
16 financial performance in a transparent manner.  
17
- 18 • Furthermore, in filing a cost of service rate application, there are a number of added  
19 complexities if the costs are from January to December, but the associated revenues will  
20 not be collected until May through April of the next rate year. Typically the Board  
21 Decision for a May 1 rate change does not occur until March. This is a quarter of the way  
22 into the fiscal year in which costs are to be incurred. If the Board denies costs in the rate  
23 proceeding, there could be costs that the STEI has already incurred in the first quarter of  
24 the year. If STEI defers some spending until the Board's Decision, STEI may not be  
25 able to complete the planned activities for that year and potentially have variances to  
26 explain.  
27
- 28 • There are also complexities to consider with respect to the calculation of Payments in  
29 Lieu of Taxes ("PILs"). Under the current rate year, the PILs allowance is collected from  
30 May of one year to April of the next year, for a tax year that is from January to  
31 December. Any "stub period" issues are ignored. This was identified in the 2006

Electricity Distribution Rate Handbook. These issues and complexities are all resolved if the rate year and the time period in which the costs will be incurred are the same.

- The alignment of the rate year with the fiscal year as part of a cost of service application eliminates the issues that already exist, as discussed above, rather than creating new issues. Costs are reviewed by the Board for prudence as part of the proceeding and bill impacts considered in order to approve just and reasonable rates. Having those rates implemented over the same time period as the Board-approved costs does not create issues.
- STEI believes that the issues created by the misalignment between the rate year and fiscal year are more significant in the year of a cost of service application, this is because as a result of a Cost of Service Application, revenues are supposed to be aligned to costs. When there is misalignment, more explanation is required and STEI's financial returns are harmed in relation to Board Approved rate of return.
- In addition to the above comments, STEI would like to address the issue of a potential 'windfall' for the Local Distribution Company ("LDC") when the implementation date for rates is move from May 1 to January 1 in a year. STEI believes that customers have previously benefited from the lag between rates increasing May 1st and costs being set as of January 1st and the LDC's rate of return has been negatively affected by this lag. Therefore there is no "windfall" for the LDC, just a setting right of a mismatch between costs and revenues.

## Exhibit 1

---

Tab 4 of 5

## General Requirements

1 **INTEGRATED DISTRIBUTION PLANNING FOR ELIGIBLE**  
2 **INVESTMENTS TO CONNECT QUALIFYING GENERATION**  
3 **FACILITIES**

4 STEI does not have any connections to qualifying generation facilities and is not planning on  
5 having any.

## ACCOUNTING STANDARDS

Financial results for 2011 to 2013 actual and the 2014BY are presented under CGAAP method and 2015TY are presented on a MIFRS basis.

STEI restructured in 2012 and management made two non-discretionary changes in accounting policy as required by the Board's July 17, 2012 letter to all distributors entitled "regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013." These changes were made both for regulatory reporting and for external financial reporting purposes. The main areas impacted by the change in presentation are to amortization of Capital Assets and an increase in OM&A costs. No other substantial change affecting capitalization of overhead costs is expected to be required for STEI.

STEI adopted IFRS "like" capitalization policies in that only directly attributable costs for capital items have been included in the capital cost. Previously, under CGAAP, STEI capitalized direct costs per the MSA agreement. STEI also revised asset useful life estimates based upon the Kinectric recommendations per the following table:

STEI ASSETS and USEFUL LIVES		2011 CGAAP	Kinectrics Range	Kinectrics Typical UFL	2012-2015 IFRS
1820.0000	Distribution Station Equipment	30	10-65	20-55	45
1830.0000	Poles, Towers & Fixtures	25	35-75	45	45
1835.0000	Overhead Conductors & Devices	25	15-75	20-60	60
1840.0000	Underground Conduit	25	20-85	30-60	40
1845.0000	Underground Conductors & Devices	25	20-55	30-40	40
1850.1000	Underground Transformers	25	20-60	35-40	40
1850.2000	Overhead Transformers	25	25-60	35-45	40
1855.1000	Overhead Services	25	25-85	35-60	40
1855.2000	Underground Services	25	25-85	35-60	40
1860.1500	Smart Meters	15	15	n/a	15
1860.2000	Interval Meters	25	15-35	n/a	15
1860.3000	Wholesale Meters	25	15-35	n/a	30
1908.0000	Building & Fixtures, General Plant	50	50-75	n/a	60
1908.1000	Security System	10	n/a	n/a	10
1915.0000	Office Furniture & Equipmet	10	5-15	n/a	10
1920.0000	Computer Equipment	5	3-5	n/a	5
1925.0000	Computer Software	5	2-5	n/a	5
1925.1000	Cayenta/Harris Software	10	2-5	n/a	10
1930.0000	Transportation Equipment	5-8	5-20	n/a	5-15
1940.0000	Tools and Equipment	10	5-10	n/a	10
1955.0000	Communication Equipment	5	5-15	n/a	5
1960.1000	Mobile Substation	30	5-20	n/a	15
1980.0000	System Supervisory Equipment (SCADA)	15	15-30	20	20
1980.1000	Geographic Information System (GIS)	15	10-65	20-45	15



## Exhibit 1

---

Tab 5 of 5

Administrative Documents

## EXECUTIVE SUMMARY

### APPLICATION OVERVIEW

St. Thomas Energy Inc. is submitting a cost of service application based on a forward test year for 2015 electricity rates and other specific items. The requested change in rates is summarized in Table 1-1 below. These changes in rates are consistent with an over-all increase in revenue requirement of \$1,226,531 from the 2011 Board approved levels.

**Table 1-1**

Customer Class Name	Rate Type	Volume		Distribution Charges		Delivery Charges		Total Bill	
		kWh	KW	\$ change	% change	\$ change	% change	\$ change	% change
Residential	Summer	800		\$3.38	15.4%	\$3.65	11.4%	\$3.83	3.4%
Residential	Winter	800		\$3.38	15.4%	\$3.65	11.4%	\$3.83	3.4%
General Service < 50 kW	Non-res.	2,000		\$6.31	15.7%	\$6.97	10.8%	\$7.41	2.8%
General Service > 50	Non-res.	40,000	100	\$38.92	23.4%	\$50.80	7.7%	\$58.04	1.2%
Sentinel Lighting	Non-res.	37	0.28	(\$1.05)	(15.0%)	(\$1.03)	(13.0%)	(\$1.03)	(9.0%)
Street Lighting	Non-res.	53	0.15	\$0.38	12.4%	\$0.39	10.9%	\$0.41	4.8%

No rate mitigation is required as a result of these proposed rate changes. These rate impacts will affect all STEI customers.

The change in revenue requirement since 2011 represents prudent spending by St Thomas in order to ensure a safe and reliable system and excellent customer service for its customer base. The costs which are presented in the 2015 Test Year in this application were developed in STEI's business planning process in 2013.

The key drivers of this increase are:

- STEI changed from an affiliate subsidized Master Services Agreement when STEI operated as a virtual utility to a largely self-sufficient operating entity in 2012. This change is discussed in detail in Exhibit 4, Tab 1, Schedule 1.
- STEI adopted IFRS Capitalization and Property, Plant and Equipment policies that increased operating, maintenance and administrative costs.

- Costs and return on rate based associated with the Smart Meter Disposition in 2012 EB-2012-0348.

This application has been prepared using the Boards Filing Requirements for Electricity Transmission and Distribution applications as dated July 17, 2013. St. Thomas believes it has met the filing requirements in all relevant aspects.

St. Thomas Energy Inc. (STEI) is owned by the Ascent Group Inc. which is wholly owned by the City of St. Thomas and is licensed electricity distributor by the Ontario Energy Board (Distribution License number ED 2002-0523). STEI also supplies services to the city of St. Thomas with respect to water and sewer billing and collection. The costs associated with these activities are not included in this application and the relationship between STEI and the city of St. Thomas for these services are compliant with the OEB's Affiliate Relationship Code (ARC). For further details please see Exhibit 4, Tab 1, and Schedule 6.

STEI has always and will continue to focus on its customers. STEI understands that it provides an essential service to its customers, that it is obligated to provide a safe, dependable and reliable power supply at a reasonable cost. STEI also understands that it is expected to go beyond the supply of power and to provide its customers with positive and informative customer interaction. The customer service role has expanded from providing a clerical billing and collection and problem solving role to include education with regards to the electricity industry, conservation and demand initiatives and directing customers to tools to better enable them to manage their electricity costs.

The 2015 Cost of Service Application meets customer needs in the following ways.

Customer Safety:

Replacing the aging floating delta system in customers' backyards will improve safety from electrical contact and falling infrastructure perspective.

Reducing the Cost of Electricity:

Investing in new distribution assets to replace an aging system will reduce future maintenance costs and result in lower system losses which reduce the customer's bill.

Customer Access to Green Initiatives:

The work programs outlined in the application will support the customers' access to energy saving initiatives that will reduce their bills. The line renewal program will result in a greater system capacity per customer which will support more renewable generation being connected and the use of new energy intensive options such as electric vehicle charging.

Customer Access to Data:

Investing in the billing and IT systems will ensure customers' data is secure and available. Features such as web access to data will be maintained and enhanced with customer convenient features like paperless ebilling and timely access to account and usage information.

Reducing Customer Impact:

Renewing the aging infrastructure will mean fewer incidents that require staff to access the backyards of customers. In addition, as part of the voltage upgrades electrical substations will be removed which opens up more land for the community. Investing in systems such as SCADA and GIS will provide more timely information to customers in the event of an outage, and allows faster response times to repair problems as these can be located more quickly. Moving towards a smarter distribution system can support improvements such as a self-healing electric system.

Maintaining Reliability of Electricity Supply:

The replacement of aging infrastructure will avoid increasing system failures and reduce outage frequency and duration. In some cases the renewed lines will have secondary supply points added which will reduce outage duration. Replacing rolling stock at the end of its life will enable STEI to properly maintain the system and respond quickly to outages.

This exhibit will provide an overview of the application, the factors contribution the rate change, a high level rational for these factors and provide a 'road-map' to places in the evidence where more details on specific topics can be found.

## **ST. THOMAS ENERGY INC.**

St. Thomas Energy Inc.'s history began over 100 years ago, in 1906 as St. Thomas PUC. As a local distribution company it is licensed and regulated by the Ontario Energy Board. The utility has been successfully serving its customers for over a century, operating as a for-profit entity since 2000.

As noted above, St. Thomas Energy Inc. (STEI) is owned by the Ascent Group Inc. which is wholly owned by the City of St. Thomas.

STEI is responsible for the delivery of electricity from the transmission system to approximately 16,700 customers in the City of St. Thomas. STEI owns the poles, conduit systems, meters, transformers, wires and substations and is responsible for the construction, expansion, operation and maintenance of the electrical distribution system.

STEI is committed to providing safe, reliable electricity and excellent service to its customers. In keeping with that commitment, STEI has been registered with the ISO 9001 Quality Management System since 1999 and in 2012 STEI became certified under the internationally recognized Occupational Health and Safety Assessment System (OHSAS) 18001.

STEI's distribution system is supplied by Hydro One Networks Inc. ("HONI") primarily from Edgeware TS at a voltage level of 27.6 kV. There is one remaining industrial customer that is supplied power from St Thomas TS at a voltage level of 13.8 kV.

As of March 2014, STEI has a total of 252.18 circuit kilometers of primary wire and underground cable installed of which 148.67 km, or 59%, is overhead. The Table 1-2 below shows the breakdown by voltage class for both overhead & underground primary.

**Table 1-2: Length of Overhead & Underground Primary Wire and Underground Cable by Voltage Class**

	Overhead (km)			Underground (km)		
	3 Phase	2 Phase	1 Phase	3 Phase	2 Phase	1 Phase
>15 kV	81.6	0	23.4	11.2	0	80.1
> 5kV & < 15 kV	7.4	0	3.4	1.1	0	0
< 5kV	30.4	7.4	0	4.5	1.2	0
<b>Totals</b>	119.4	7.4	26.8	16.8	1.2	80.1

The distribution system has 6 municipal substations remaining used to step down voltage from 27.6 kV to 2.4 kV for the old 2.4kV delta distribution system. There is a 10 year plan in place to convert the 2.4kV delta distribution system to 27.6kV, which when complete will eliminate the municipal substations from the system.

The following Table 1-3 provides a listing of the demographics of STEI's main assets, aside from wire and cable, employed in its distribution system.

**Table 1-3**

Asset Category	Population	Distribution by Age (years)				
		0 - 19	20 - 29	30 - 39	40 - 44	45 +
<b>Substation Transformers</b>	6			6		
<b>Pad-mount Transformers</b>	563	412	140	8	2	1

## **STEI GOVERNANCE**

### ***Board of Directors***

STEI is governed by a six member Board of Directors whose mandate is to oversee the management of STEI's affairs and to enhance managements' decision making for the purpose of improving the performance of the corporation including: Financial Reporting and Disclosure, Strategic Planning, Business Planning, Risk Management and Human Resources. The Directors are actively engaged in the governance role for STEI.

### ***Management Team***

STEI's management team oversees the operations, maintenance, customer care and administration of the day to day business activities. In addition, STEI's management prepares strategic plans that are presented to its Board of Directors. STEI management is active in the planning and monitoring of the results of its business activities. As part of this monitoring, management prepares a Year End Management Report that is reviewed and discussed by all mangers. The 2013 version of this management report is presented as Attachment 19 to this Exhibit.

STEI has also prepares a performance scorecard consistent with good management practice and with recent direction from the OEB. The current draft of this scorecard is shown below in Chart 1:

## Chart 1

	St. Thomas Energy Inc.								Target	
Performance Outcomes	Performance Categories	Measures	2008	2009	2010	2011	2012	Trend	Industry	Distributor-specific for 2012
Customer Focus  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential Services Connected On Time	100.00%	100.00%	98.80%	99.40%	100.00%	U	90%	
		Scheduled Appointments Met On Time	100.00%	99.30%	99.70%	100.00%	100.00%	U	90%	
		Telephone Calls Answered On Time	77.90%	81.60%	89.50%	82.60%	83.80%	U	65%	
	Customer Satisfaction	First Contact Resolution								
		Billing Accuracy								
		Customer Satisfaction Survey Results								
Operational Effectiveness  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Public Safety (measure to be determined)	Consultation with ESA will identify a measure that is readily available for use.							
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.45	0.13	0.34	0.99	0.22	U		at least within 0.13 and 0.99
		Average Number of Times that Power to a Customer is Interrupted	0.39	0.39	0.57	1.00	1.05	U		at least within 0.39 and 1.00
	Asset Management	Distribution System Plan Implementation Progress								
		Efficiency Assessment					3			
	Cost Control	Total Cost per Customer	\$ 452	\$ 475	\$ 496	\$ 591				
		Total Cost per Km of Line	\$ 30,208	\$ 31,562	\$ 32,876	\$ 38,823				
Public Policy Responsiveness  Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved)				9%	11%			3.94
		Net Cumulative Energy Savings (Percent of target achieved)				33%	68%			14.92
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			-	-	100.00		Applicable timeline prescribed by Ontario Regulation 326/09 made under the Electricity Act, 1998	
		New Micro-embedded Generation Facilities Connected On Time							90%	
Financial Performance  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.34	1.15	1.51	1.38	1.41			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.64	0.72	0.89	0.92	1.00			
		Profitability: Regulatory Return on Equity				9.58%	9.58%			
		Deemed (included in rates)				7.31%	1.31%			
		Achieved								

Legend: U up  
D down  
F flat  
T target met  
N target not met

## STEI'S TOTAL ENTERPRISE APPROACH

STEI's Strategic Plan focuses on a total enterprise approach that encompasses for main strategic objectives. STEI's Total Enterprise Approach is as follows:

STEI's approach is to become:

1. **Customer** – Ideal place to do business with,
2. **Work** – Ideal place to work,
3. **Social** – Ideal asset, and
4. **Performance** - Ideal operations performance



## CORPORATE VISION AND VALUES

STEI's Corporate Vision and Values is as follows:

- **Vision:** Our people and our culture are the key to our success. Our corporate values are Honesty, Attitude, Respect and Teamwork, HART. STEI will foster and continue to pursue an open, honest environment that values our people and the customers we serve. STEI embraces the HART values in all aspects work.
- **Values:** While STEI strives to achieve the four strategic objectives, STEI is committed to the creation of safe and healthy workplaces for our employees, visitors, contractors and members of the public. STEI takes all reasonable precautions to prevent injury and illness in conjunction with our policies and procedures, as of December 31, 2013 STEI achieved the milestone of 1.1 million hours without a lost time injury.

STEI's Vision and Values are aligned to the 4 Outcomes for Distributors as outlined in its October 12, 2012 Report entitled "Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach". These four outcomes are note below.

STEI has always and will continue to focus on its customers. STEI understands and appreciates its role in providing an essential service to its customers, that it is obligated to provide a safe, dependable and reliable power supply at a reasonable cost. STEI believes that customers expect a balanced approach to the costing and delivery of electricity and the maintenance of a reliable distribution system.

STEI's Vision and Values are aligned to the four Outcomes for Distributors as outlined in the October 12, 2012 OEB Report entitles "Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach:" The balanced scorecard approach will continue to evolve and expand throughout STEI and has become a template for internal decision making at all levels.

Following is a summary of how STEI's 2015 COS Rate Application supports the four Outcomes.

1 **1. Customer Focus**

2 The customer service role has expanded from providing a clerical billing and collection and  
3 problem solving role to include education with regards to the electricity industry, conservation  
4 and demand initiatives and directing customers to tools to better enable them to manage their  
5 electricity costs.

6  
7 STEI's 2015 COS rate Application includes the following programs:

8  
9 **Customer Access:**

10 STEI introduced a new user friendly web site in early 2012. It is intended to be an informative  
11 tool to provide updates, news items and assist our customers 24x7. On March

12  
13 17, 2014 STEI implemented a customer engagement suite to its Customer Information System.  
14 This software provides a number of features such as: account management, bill  
15 management/ebilling, rate analytics, alerts, home energy profile, education and cost savings tips  
16 and enhanced security to protect customer information.

17  
18 **Customer Communication:**

19 In 2012 STEI introduced an Interactive Voice Response (IVR) telephone system, providing  
20 customer with 24x7 access to their account information along with credit card payment services.

21  
22 **Working with Social Agencies:**

23 STEI works closely with our local social agency, St Thomas-Elgin Ontario Works. St Thomas  
24 Elgin Ontario Works ("OW") provides financial and employment assistance to people in financial  
25 need.

26  
27 **Roving Energy Manager (REM):**

28 REM position will enhance STEI's CDM effort and produce more energy savings which will  
29 improve the competitive position of our consumers.

30  
31 **Customer Engagement Surveys:**

1 External: STEI has engaged UtilityPULSE to conduct independent customer satisfaction  
2 surveys since 2002.

3  
4 Internal: March 2014, 90 customers participated in a 10 questions survey around social media  
5 usage, conservation, e-billing and internet usage.

6  
7 **2. Operational Effectiveness**

8 STEI's objective is to optimize the performance of its assets at a reasonable cost in  
9 consideration of: customer service expectations, system reliability, technology innovation and  
10 public and employee safety. To achieve these goals, STEI is implementing a geographical  
11 information system ("GIS") and new financial subsystems that will eventually interface with the  
12 Customer Information System ("CIS"). This will enable STEI to better manage the distribution  
13 assets and customer responsiveness through new programs such as an improved outage  
14 identification process and outage communications.

15  
16 STEI is investing in the conversion of its 2,400 V system with the modern 27.6 kV system.  
17 Replacing this system will enhance STEI's system reliability, decrease access to customer  
18 backyard and provide greater safety to STEI customers and employees. The conversion plan  
19 will also reduce the number substations.

20  
21 STEI is also party to a Mutual Assistance Plan between eight distributors and is a member of  
22 two additional collaborative groups, Utility Collaborative Services Group ("UCS") and  
23 CustomerFirst initiative. STEI derives a variety of benefits from these collaborative groups such  
24 as shared systems and incorporating lessons learned from various projects.

25  
26 **3. Public Responsiveness**

27 STEI recognizes the importance of adhering to and complying with all public and regulatory  
28 policies. To that end, STEI has support the following activities:

Smart meter and time-of-use billing:

STEI worked collaboratively with other LDCs across the province to fulfill the Provincial government's initiative. STEI's implementation was completed in 2011.

Conservation and Demand Management Targets ("CDM"):

In response to the Ministry of Energy's Directive regarding CDM targets, STEI outsourced the management of this activity to Burman Energy and has worked with another utility to obtain a REM. The REM is an important element in assisting STEI in meeting its target. STEI is expecting to achieve its 2011-2014 energy reduction target.

Renewable generation connections:

STEI has supported this program by successfully connecting 33 microFIT projects totaling 278.2 kW of capacity and 2 FIT projects totaling 600 kW of capacity.

Additionally STEI complies with Electrical Safety Authority ("ESA") regulation 22/04 and ensures compliance with the Municipal Freedom of Information and Protection of Privacy Act ("MIFPPA").

**4. Financial Performance**

STEI's goal is to achieve sustainable shareholder returns while providing sustainable operating efficiencies, optimizing service levels and cost reductions to mitigate customer rate impacts. To achieve these goals the following is included in STEI's COS rate Application.

STEI's investment in the conversion plan will reduce future maintenance costs and result in lower system losses which reduce the customer's bill. The conversion plan will eventually eliminate all substations and the associated maintenance costs.

In an effort to increase operational effectiveness, STEI reviewed its operating and maintenance practices, specifically substation maintenance and determined that half the substations would be maintained on an annual rotating basis until they are removed from service. STEI has also

implemented the Paymentus program for credit card payments and brought bank deposit deliveries in house resulting in customer service savings.

STEI has used an outcomes based approach to its planning and to the development of this application.

### ***Previous Applications***

STEI approved rate changes as a result of its 2011 Cost of Service proceeding (EB-2010-0113) can be seen in Chapter 8, Tab 1, Schedule 9. Since then it has received increases through the Boards Incentive Regulation Mechanism (IRM) process as outlined in Table 1-4 below.

**Table 1-4**

**STEI IRM Decisions 2012 – 2014**

<u>Board Reference Number</u>	<u>Year</u>	<u>% Increase</u>
EB-2011-0196	2012	0.88
EB-2012-0166	2013	0.48
EB-2013-0171	2014	1.40

STEI has also been before the Board with respect to the following matters since its 2011 Cost of Service application. See Table 1-5 below.

**Table 1-5**

<u>Board Reference Number</u>	<u>Topic</u>
EB- 2012-0348	Smart Meters

## A. REVENUE REQUIREMENT

St Thomas's Revenue Requirement has increased by \$1,226,531 or 19.7% since the 2011 OEB approved levels. This change since 2011 OEB approved represents an approximately 4.75% change per year. Table 1-6 below provides a summary of the components of revenue requirement from 2011 Board approved to 2015.

**Table 1-6**

Description	2011 Board Approved	2015 Test Year	Change (\$)	Change (%)	Evidence Reference
OM&A	3,571,434	4,634,620	1,063,186	29.77%	Exhibit 4
Depreciation / Amortization	1,356,340	1,208,219	-148,121	-10.92%	Exhibit 4
Return on Rate Base	1,577,026	2,065,741	488,715	30.99%	Exhibit 5
PILS	509,373	54,162	-455,211	-89.37%	OEB PILS Model
Service Revenue Requirement	7,014,173	7,962,742	948,569	13.52%	Exhibit 6
Revenue Offsets	774,006	496,044	-277,962	-35.91%	Exhibit 3
Base Revenue Requirement	6,240,167	7,466,698	1,226,531	19.66%	Exhibit 6

The largest contributing factor is the increase in OM&A over this period as well as the change in the Return on Rate Base partially offset by a decrease in Depreciation and Amortization and PILs.

## B. BUDGET ASSUMPTIONS

The budget is a key component of achieving the Business Plan which identifies planning targets for operational and capital plans. The budget process ensures that current plans are prudently aligned with STEI's strategic goals and objectives as well as being financially sustainable. For additional information on the STEI capital planning process see the Distribution System Plan Exhibit 2, Tab 1, Schedule 5 Appendix A.

The 2015 Test Year budget is based upon the following key economic assumptions:

- Combined inflation increase of 2.1% for both labour and purchases.
- 70% of Engineering and Linemen chargeable hours have been allocated to the capital program as directly attributed costs without administrative overheads.

## C. LOAD FORECAST SUMMARY

STEI is forecasting energy consumption for the 2015 Test year, adjusted for CDM, is 282,470,283 kWh or 5.5% less than the 2011 COS Board Approved amount of 299,029,379 kWh's. As demonstrated in the table on the following page, the reduction is attributed to the GS<50 kW customer class which has experienced a 25% reduction in the number of customers from the 2011 COS Board Approved load forecast. The 2011 – 2015 Metered Kilowatt Hours is shown in Table 1-7 below:

**Table 1-7**

METERED KILOWATT-HOURS (kWh)									
Customer Class Name	2011 Approved	2011 Actual	2012 Actual	2013 Actual	2013 Normalized	2014 Normalized	2014 Estimated	2015 Normalized	Change 2015 vs 2011
Residential	122,791,452	118,988,254	117,522,946	120,233,411	120,233,411	121,125,915	121,125,915	121,139,467	(1,651,985)
GS < 50 kW	40,328,648	36,524,408	36,261,185	38,822,521	38,822,521	40,662,591	40,662,591	40,919,528	590,880
<b>GS &gt; 50</b>	<b>132,743,408</b>	<b>136,380,632</b>	<b>134,205,543</b>	<b>119,449,425</b>	<b>119,449,425</b>	<b>118,091,878</b>	<b>118,091,878</b>	<b>117,249,967</b>	<b>(15,493,441)</b>
Sentinel Lighting	56,665	61,199	62,373	23,170	23,170	23,170	23,170	22,987	(33,678)
Street Lighting	3,109,206	3,083,850	3,119,827	3,124,392	3,124,392	3,143,802	3,143,802	3,138,334	(29,128)
<b>TOTAL</b>	<b>299,029,379</b>	<b>295,038,343</b>	<b>291,171,874</b>	<b>281,652,919</b>	<b>281,652,919</b>	<b>283,047,356</b>	<b>283,047,356</b>	<b>282,470,283</b>	<b>(16,617,352)</b>

STEI is forecasting the numbers of customers and connections for the 2015 Test year of 21,971, an increase of 2.3% over the 2011 COS Board Approved load forecast of 21,314. As provided in the following table, the residential customer forecast of 15,120 reflects an increase of 3.8% or 558 accounts over the 2011 amount of 14,562. The GS< and > 50kW classes have been impacted by economic conditions and yearly re-classification of those accounts based upon demand usage. The number of customers per class is shown in Table 1-8 below:

**Table 1-8**

CUSTOMERS (CONNECTIONS)									
Customer Class Name	2011 Approved	2011 Actual	2012 Actual	2013 Actual	2013 Normalized	2014 Normalized	2014 Estimated	2015 Normalized	Change 2015 vs 2011
Residential	14,562	14,576	14,692	14,828	14,828	14,973	14,973	15,120	558
GS < 50 kW	1,676	1,664	1,662	1,720	1,720	1,728	1,728	1,737	61
<b>GS &gt; 50</b>	<b>192</b>	<b>192</b>	<b>194</b>	<b>142</b>	<b>142</b>	<b>143</b>	<b>143</b>	<b>144</b>	<b>(48)</b>
Sentinel Lighting	50	51	51	52	52	52	52	52	2
Street Lighting	4,834	4,791	4,829	4,858	4,858	4,888	4,888	4,918	(84)
<b>TOTAL</b>	<b>21,314</b>	<b>21,274</b>	<b>21,428</b>	<b>21,600</b>	<b>21,600</b>	<b>21,784</b>	<b>21,784</b>	<b>21,971</b>	<b>489</b>

Elenchus Research Associates Inc. provided the 2015 Test Year Load and Customer data based upon a multiple regression analysis "weather normalized" approach.

## D. RATE BASE AND CAPITAL PLAN

### **Rate Base**

STEI's rate base for the 2015TY is \$31,484,195, an increase of \$7,606,522 from the 2011 Board Approved rate base. In accordance with the Board's Filing Requirements, STEI has calculated the rate based on the average of the opening and closing balance of the 2015TY gross fixed assets and accumulated depreciation and contributed capital, plus a working capital allowance calculated as 13% of the sum of the cost of power and controllable expenses.

The additions to rate base have been made in a prudent manner to provide for the safety and reliability of STEI's distribution system.





1 In allocating funds each year in the 2015 to 2019 forecast period, STEI has continued to  
2 balance the desire to fund the Voltage Conversion program to the maximum extent possible  
3 with the need to perform other smaller refurbishment/replacement work together with the desire  
4 to keep the bill impacts as level as possible and within a reasonable range.

5  
6 During the 5-year future period, the majority of the material capital projects are part of the  
7 Voltage Conversion program; these material projects total \$7.0 million. In addition, there are 2  
8 related New Power line projects and 1 System Upgrade project summing to \$0.7 million. In total,  
9 these 16 material projects directly or indirectly enabling the voltage conversion cost 73% of all  
10 capital expenditures during the 2015 to 2019 period.

11  
12 STEI confirms that the current DS Plan does not include renewable energy  
13 connections/expansions, smart grid or regional planning initiatives, and as such there are no  
14 funds allocated or requested for these activities during the 2015 to 2019 planning period.

15  
16 STEI submitted its Renewable Energy Generation plan to the OPA for comment on February  
17 11, 2014. This letter provided information about regional planning that STEI carried out with  
18 neighbouring utilities and contained detailed information about the renewable energy generation  
19 projects and planning that impact STEI's service territory. The Letter of Comment from the OPA  
20 is provided within the DS Plan. There was no additional correspondence with the OPA after  
21 receipt of their response.

22  
23 The STEI 2015 Test Year capital additions of \$2,163,000 have increased by \$288,399 since the  
24 2011 OEB approved levels of \$1,874,601 and by \$547,609 from the 2011 actual levels of  
25 \$1,615,391.

26  
27  
28 Table 1-10 is a reproduction of Appendix 2-AB from the OEB Appendices.

1

**Table 1-10**

**Appendix 2-AB**

**Table 2 - Capital Expenditure Summary from Chapter 5 Consolidated  
Distribution System Plan Filing Requirements**

First year of Forecast Period: 2015

CATEGORY	Historical Period (previous plan <sup>1</sup> & actual)															Forecast Period (planned)				
	2010			2011			2012			2013			2014			2015	2016	2017	2018	2019
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual <sup>2</sup>	Var					
			%			%			%			%			%					
System Access	953,819	693,867	-27.3%	759,731	735,219	-3.2%	551,200	3,943,790	615.5%	719,000	580,417	-19.3%	200,000		-100.0%	200,000	200,000	200,000	200,000	200,000
System Renewal	872,154	778,473	-10.7%	1,143,467	1,146,535	0.3%	978,700	1,077,181	10.1%	827,423	1,008,816	21.9%	1,600,000		-100.0%	1,341,250	1,590,000	1,530,000	1,215,000	1,560,000
System Service	-	45,076	-	285,510	-	-100.0%	-	-	-	-	-	-	-	-	-	208,750	-	-	305,000	-
General Plant	-	-	-	-	-	-	743,500	2,381,685	220.3%	888,000	538,637	-39.3%	728,050		-100.0%	513,000	436,000	458,000	265,000	222,000
Contributed Capital	- 302,000	- 384,629	27.4%	- 251,000	- 266,363	6.1%	- 230,500	- 318,521	38.2%	- 311,000	- 596,144	91.7%	- 100,000		-100.0%	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000
TOTAL EXPENDITURE	1,523,973	1,132,787	-25.7%	1,937,708	1,615,391	-16.6%	2,042,900	7,084,134	246.8%	2,123,423	1,531,726	-27.9%	2,428,050	-	-100.0%	2,163,000	2,126,000	2,088,000	1,865,000	1,882,000
System O&M	\$ 988,508	\$1,085,310	9.8%	\$916,682	\$ 923,291	0.7%	\$ 1,371,654	\$1,311,270	-4.4%	\$1,305,830	\$1,224,643	-6.2%	\$1,259,102		-100.0%	\$1,318,543	\$1,346,233	\$ 1,374,503	\$1,403,368	\$1,432,839

2

3

4

**E. OM&A EXPENSE**

6

7

8

9

10

11

12

13

The 2015 STEI OM&A costs of \$4,634,620 have increased by \$1,063,186 since its 2011 Cost of Service application Board approved level of \$3,571,434. The increase is mainly attributed to a change from an affiliate subsidized Master Services Agreement when STEI operated as a virtual utility to a largely self-sufficient operating entity in 2012. As a self-supporting, transparent operating entity, STEI costs were greater than what was provided for under the 2011 Board Approved Cost of Service Application. As a result STEI submits that the true comparison point is the 2013 actual values. The increase in OM&A costs from 2013 actuals to the 2015 Test Year is \$625,967 or 15.6% over a two year period or approximately 7.8% per year.

This increase in expenditures is consistent with system and customer growth as well as operation and maintenance activities required to ensure the safe and reliable operation of STEI's distribution system.

In addition, on January 1, 2012 STEI adopted IFRS like capitalization and depreciation policies in conjunction with the restructuring initiative. The restructuring included the transfer of employee and various assets required to operate the entity as well as incurring additional management expenses related to employee retirement/succession and management fees from AGI. Additionally in 2012 STEI recorded approximately \$248,000 of one time smart meter expenses and \$419,000 of one time amortization associated with the smart meter disposition. STEI's 2012 OM&A costs were further increased in 2012 due to a one time PIL's decision in which STEI had to return \$278,000 to customers.

## F. COST OF CAPITAL

STEI uses the board deemed capital structure and deemed rates for debt and equity. Table 1-11 below outlines the values used in this 2015 Test Year application as well as the 2011 Board approved levels.

**Table 1-11**

	Current Application				2011 Approved		
	Deemed Portion	Effective Rate <sup>1</sup>	Return Amount		Deemed Portion	Effective Rate	Return Amount
Short-Term Debt	4.00%	2.11%			4.00%	2.46%	
Long-Term Debt	56.00%	4.88%			56.00%	5.60%	
Total Equity	40.00%	9.36%			40.00%	9.58%	
<b>Regulated Rate of Return</b>	<b>100.00%</b>	<b>6.56%</b>			<b>100.00%</b>	<b>7.07%</b>	
<b>Rate Base <sup>2</sup></b>			31,484,195				
<b>Regulated Return on Capital</b>			<b>2,065,741</b>				
Deemed Interest Expense							
Deemed Interest Expense			886,973				
Deemed Return on Equity			1,178,768				

## G. COST ALLOCATION AND RATE DESIGN

STEI has determined its total 2015 service revenue requirement to be \$7,962,742. The total revenue offsets, in the amount of \$496,044, reduces STEI's total service revenue requirement to a base revenue requirement to \$7,466,698. To determine the proposed distribution rates, transformer allowance in the amount of \$77,433 is added back to the base distribution revenue requirement for a total gross revenue amount of \$7,544,132 which is used for rate calculation purposes. The base revenue requirement is derived from STEI's 2015 capital and operating forecasts, weather normalized usage, forecasted customer counts, and regulated return on rate base. The revenue requirement is summarized in the Table 1-12 below:

**Table 1-12**

<b>Distribution Revenue Requirement</b>	
<b>Description</b>	<b>Amount</b>
OM&A Expenses	4,634,620
Amortization Expense	1,208,219
Regulated Return on Capital	2,065,741
PILs (with gross-up)	54,162
<b>Service Revenue Requirement</b>	<b>7,962,742</b>
<b>Less: Revenue Offsets</b>	<b>496,044</b>
<b>Distribution Revenue Requirement</b>	<b>7,466,698</b>
<b>Transformer Allowance</b>	<b>77,434</b>
<b>Gross Revenue Requirement for Rates</b>	<b>7,544,132</b>

The following Table 1-13 provides the 2015TY Distribution Base Revenue at the proposed Distribution Revenue Requirement level by rate class, which reflects the proposed revenue to cost ratios. Details on the Revenue to Cost Ratios are shown in Table 7.3 Exhibit 7, Tab 1.

**Table 1-13**

<b>Base Revenue at Proposed Rates</b>	
<b>Rate Class</b>	<b>2015 Proposed Rates</b>
<b>Distribution</b>	
Residential	4,890,222
GS < 50	1,199,589
GS > 50	1,148,442
Sentinel light	4,182
Street light	224,263
<b>Base Revenue</b>	<b>7,466,698</b>

Details on STEI's cost allocation and rate design approach are contained in Exhibit 7 and Exhibit 8 respectively.

## **H. DEFERRAL AND VARIANCE ACCOUNTS**

Table 12 provides the account balances proposed for disposition before forecasted interest, which are consistent with the 2013 Audited Financial Statements as at December 31, 2013 and agrees to the 2013 year end balances for RRR filing E2.1.7 Trial Balance to be filed on April 30, 2014 with the OEB.

STEI has used the DVAs in the same manner described in the Accounting Procedures Handbook. Table 1-14 provides the Group 1 and Group 2 details.

1

**Table 1-14**

Account Description	Account Number	Principal 31-Dec-13	Interest 31-Dec-13	Total 31-Dec-13	RRR 31-Dec-13	Variance
<b>Group 1 Accounts</b>						
LV Variance Account	1550	-	-	-		
RSVA - Wholesale Market Service Charge	1580	(828,328)	(20,272)	(848,600)	(848,599)	(1)
RSVA - Retail Transmission Network Charge	1584	231,024	6,453	237,477	237,477	0
RSVA - Retail Transmission Connection Charge	1586	21,646	599	22,245	22,245	(0)
RSVA - Power (excluding Global Adjustment)	1588	(2,031,498)	(52,689)	(2,084,187)	(2,084,187)	0
RSVA - Global Adjustment	1589	2,129,725	61,772	2,191,497	2,191,497	0
Recovery of Regulatory Asset Balances	1590			-		
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	26,046	(3,708)	22,338	22,338	-
Disposition and Recovery/Refund of Regulatory Balances (2011)	1595	83,427	(37,603)	45,824	45,824	-
<b>Sub-Total Group One Accounts</b>		<b>(367,958)</b>	<b>(45,448)</b>	<b>(413,406)</b>	<b>(413,406)</b>	<b>(0)</b>
<b>Group 2 Accounts</b>						
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	61,206	2,717	63,923	63,922	1
Smart Grid Capital Deferral Account	1534	1,611	52	1,663	1,663	-
Smart Grid OM&A Deferral Account	1535	2,404	55	2,459	2,459	-
RSVA - One-time	1582	418	101	519	519	-
<b>Sub-Total Group Two Accounts</b>		<b>65,639</b>	<b>2,925</b>	<b>68,564</b>	<b>68,563</b>	<b>1</b>
<b>TOTAL</b>		<b>(302,319)</b>	<b>(42,523)</b>	<b>(344,842)</b>	<b>(344,843)</b>	<b>1</b>

2

3

4 The proposed group one and two split between RPP and non-RPP is as provided in the  
5 following table1-15

6

7

**Table1-15**

<u>Deferral and Variance Accounts</u>	<u>Total Disposition</u>	<u>Disposition Period</u>
Group One and Group Two (excluding GA) RPP	(761,442)	One Year
Group One Account (GA) Non-Rpp	695,102	One Year
Stranded Meter	422,504	Five Years
<b>Total Disposition</b>	<b>356,164</b>	

8

9

10 Details on STEI's deferral and variance accounts are contained in Exhibit 9.

## I. BILL IMPACTS

All bill impacts as a result of the requested Revenue Requirement are within the 10% of total bill impacts and as such no rate mitigation is required. A summary of the bill impacts is shown in Table 1-16 of this exhibit. Details on STEI's bill impacts are contained in Exhibit 8, Tab 1, and Schedule 9.

**Table 1-16**

Customer Class Name	Rate Type	Volume		Distribution Charges		Delivery Charges		Total Bill	
		kWh	KW	\$ change	% change	\$ change	% change	\$ change	% change
Residential	Summer	800		\$3.38	15.4%	\$3.65	11.4%	\$3.83	3.4%
Residential	Winter	800		\$3.38	15.4%	\$3.65	11.4%	\$3.83	3.4%
General Service < 50 kW	Non-res.	2,000		\$6.31	15.7%	\$6.97	10.8%	\$7.41	2.8%
General Service > 50	Non-res.	40,000	100	\$38.92	23.4%	\$50.80	7.7%	\$58.04	1.2%
Sentinel Lighting	Non-res.	37	0.28	(\$1.05)	(15.0%)	(\$1.03)	(13.0%)	(\$1.03)	(9.0%)
Street Lighting	Non-res.	53	0.15	\$0.38	12.4%	\$0.39	10.9%	\$0.41	4.8%



## CUSTOMER ENGAGEMENT

STEI has always and will continue to focus on its customers. STEI understands that it provides an essential service to its customers, that it is obligated to provide a dependable and reliable power supply at a reasonable cost. STEI also understands that it is expected to go beyond the supply of power and to provide its customers with positive and informative customer interaction. The customer service role has expanded from providing a clerical billing and collection and problem solving role to include education with regards to the electricity industry, conservation and demand initiatives and directing customers to tools to better enable them to manage their electricity costs.

Technological changes have also provided additional tools that allow STEI new means of connecting with its customers. These changes include maintaining and updating STEI's web site that provides STEI and industry information. Additionally, the website allows customers to log into "Customer Connect", a web portal for STEI customers to view their usage, setup usage trigger notifications, manager their account, update contact information and pay their bill.

Since 2007 STEI has provided their Commercial and Industrial Interval Metered customers with an on-line web portal 3rd party solution, called "C&I EnergyManager". The C&I EnergyManager is a secure portal offering reports that allow customer to better manage their energy use. This is an ideal tool for large users of energy, with significant energy bills and complex loads. The energy reports track peak and power factor and consumption as well as energy costs all in a single portal. Engineers can use this information to implement demand management strategies to control costs and business owners can use this as an investigative tool to reveal energy waste and to solve problems.

STEI continually engages its customers in various forums and assesses the effectiveness of these activities. Specifically, STEI has engaged in independent 3rd party customer surveys, internal surveys, web surveys, bill inserts, bill messages, Home Shows and Business Expos. STEI is also in the process of working collaboratively with other utilities to provide a Roving Energy Manager to assist customers with load reduction.

## **CUSTOMER ENGAGEMENT SURVEYS**

### ***3rd Party***

STEI has engaged UtilityPULSE to conduct independent customer satisfaction surveys since 2002. These bi-annual customer satisfaction surveys provide information that supports discussions surrounding improving customer service at all levels and departments within STEI. The survey asks customers questions on a wide range of topics, including: overall satisfaction, reliability, trust, customer care, outages, billing, management operations and corporate image. The results help determine what is being done well and what needs improvement. The results are compiled into a final report outlining the overall customer satisfaction within the community and benchmark the results against other Provincial and National participants. UtilityPULSE conducted the 2014 survey in April of 2014, and final results will be available in June.

With regard to the 2012 survey results, UtilityPULSE surveyed 401 responses, consisting of 85% residential and 15% commercial. STEI's customer satisfaction ranked higher than not only the Provincial averages but higher than the National averages as well:

- STEI average customer satisfaction, 95%
- National average customer satisfaction, 89%
- Provincial average customer satisfaction, 88%

A copies of the Executive Summary consultant's report and the communication to STEI's Board of Directors, is provided as Appendix 19 to this Exhibit. The complete report is provided as an Appendix B to this Exhibit.

### ***Internal***

STEI developed an in-house survey which was conducted in March with 90 customers participating verbally in a 10 question survey around social media usage, conservation desires, e-billing and internet usage.

The results of the survey are provided in the following Table 1-16.

Table 1-16

	<b>Customer Survey Questions</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
1	Do you have access to the internet?	77	13	
2	Do you currently access your St Thomas Energy account information on line?	16	74	
3	Do you use Twitter?	10	80	
4	Do you FaceBook?	46	44	
5	Would you like to receive your bill electronically, eBilling instead of a hard copy?	26	53	11
6	Do you know what an "In Home Display unit" is?	9	81	
7	If "yes" then ask: would you use one if STEI gave you one?	8		1
8	Are you thinking of purchasing an electric car?	4	83	3
9	If "yes" ask - in the next 5 years?	2	2	1
10	Are you thinking of installing solar panels on your house/building/property?	8	80	2
11	If "yes" ask - in the next 5 years?	4	2	2

STEI will be incorporating the results of this internal survey with the UtilityPULSE survey results to determine an action plan moving forward.

## CUSTOMER ACCESS

STEI introduced a new user friendly web site in early 2012. It is intended to be an informative tool to provide updates, news items and assist our customers 24x7. Customers can learn about latest news items as related to STEI; electricity rates, safety programs, various OPA initiatives and conservation tips as well as offering many on line services. Customers can easily navigate by way of the web site to Customer Connect a web portal tool that allows customers to view and monitor:

- TOU price period indicator
- TOU usage as recent as the day before and going back as far as 2012

- TOU usage charts with weather overlay
- Usage chart with associated cost
- Billing and payment transaction history going back to 2000
- Electric meter reading history going back to 2000
- Usage comparison from bill to bill, year to year
- E-Bill presentment
- Customer set notifications and alerts based on usage or dollars
- All data is available for downloading

With the introduction of Customer Connect STEI put in place Google Analytics to trace our customers path, to understand how they interacted with Customer Connect allowing us to know our audience in order to better plan future needs.

## **CUSTOMER COMMUNICATION**

In 2012 STEI introduced an Interactive Voice Response (IVR) telephone system, providing customers with 24x7 accesses to their account information along with credit card payment services. Customers now have the ability to find out; last payment date and amount, last bill issued due date and amount, and if you are in a collection period and need to contact Customer Service.

## **WORKING WITH LOCAL SOCIAL AGENCY**

STEI works closely with our local social agency, St Thomas-Elgin Ontario Works. St Thomas Elgin Ontario Works ("OW") provides financial and employment assistance to people in financial need. OW and STEI staff work together almost daily to resolve collection type issues and concerns of customers. In the past when new customer service codes have been introduced by the OEB, STEI has met with OW staff to review and educate them on the requirements. In February 2013, an educational session was held with OW staff being updated on available conservation programs, the use of load limiters, short term payment arrangements, arrears

1 management program along with the 21 day hold rule. In May 2014, STEI will be meeting with  
2 OW staff to walk through the use of our new on line tool "Customer Connect". OW is moving  
3 away from clients having to produce their bill in a hard copy format, they are looking to be more  
4 "green". With the ability to view bills on line through "Customer Connect" STEI is looking to  
5 educate OW on the navigation and how-to of this web portal tool in effort to assist them with  
6 their green initiative.

## 8 **ROVING ENERGY MANAGER**

9 St. Thomas Energy Inc. (STEI), together with a nearby LDC, is applying to the Ontario Power  
10 Authority for a Roving Energy Manager (REM). The REM will be an important element in  
11 assisting STEI in meeting its goals associated with the Ontario Power Authority Conservation  
12 Demand Management (CDM) Program. The REM will be responsible for assisting STEI  
13 commercial and industrial customers to overcome traditional barriers related to energy  
14 management. The REM is expected to assist in the identification, reporting, and implementation  
15 of energy saving opportunities, and become a significant resource of knowledge to larger STEI  
16 consumers.

17  
18 The REM position will enhance STEI's CDM effort and produce more energy savings which will  
19 improve the competitive position of our consumers. Improving the bottom line of larger  
20 consumers is very important in this difficult economic climate. St. Thomas Energy is planning to  
21 share the Roving Energy Manager with a nearby LDC to make this position as cost effective as  
22 possible while achieving greater energy savings. The key areas of responsibility will include:

- 23  
24
- For all assigned customers perform site assessment visits and determine the CDM potential at their facilities.
  - Work with customer facilities staff, suppliers and service providers to assist in determination of CDM opportunities.
  - Coordinate feasibility studies and professional audits as required.
  - Provide written reports to the on customer CDM projects.
- 28  
29

- Assist customers in preparing applications for incentives and work with the Business Account Represent to present CDM business cases to customers.
- Assist in providing negotiation of contracted services and prepare service agreements.
- Encourage customers to seek out incentives provided by the Ontario Power Authority's Province Wide CDM programs.
- Provide historical reports and forecasts of demand and consumption reduction related to customer participation in CDM programs.
- Develop and maintain relationships with channel partners, suppliers and service providers for the purpose of proposing CDM measures to customers.
- Attend workshops, seminars, information sessions and conferences in order to explore opportunities for new energy efficient and demand response technologies.
- Assist in coordination of customer recognition activities.

## STAKEHOLDER ENGAGEMENT

STEI Management organized and hosted an information sharing session at the Board office on October 31, 2013. This session provided STEI an opportunity to update external stakeholders of STEI's 2012 restructuring, the potential impacts regarding the 2015 Application and to answer questions that Board staff and intervenors may have in advance of filing the Application.

The information session was attended by Board staff, School Energy Coalition, Vulnerable Energy Consumers Coalition and Energy Probe Research Foundation.

The power point presentation provided at that session has been included as Attachment 3 to this Exhibit.

## Attachment 1 of 3

# Customer Satisfaction Survey Results

# St. Thomas *energy* inc.

*We're Your Local Power Distributor*

## 2012 Customer Satisfaction Survey Results





- Based on telephone interviews of *401 respondents* who pay or look after the electricity bills for *St. Thomas Energy*

Note: A sample size of 401 will provide confidence level of 95% (+/-4.9%)

- Customers surveyed were based on a *random sample* approach
- 1,043 households and small businesses were contacted, 401 completed interviews; response rate is 38%
- The following *segments* were surveyed:
  - Residential – 85%
  - Commercial – 15%
- St. Thomas Energy's customers participated in an "*in-depth*" Customer Satisfaction Telephone Survey
- National benchmark data has been refined to reflect the demographic mix in Canada
- Results of the UtilityPULSE Report Card® are computed by formulas which map the attributes of corporate image to customer satisfaction and loyalty



# Report Card: **A**

St. Thomas Energy's UtilityPULSE Report Card®			
Part 2: Performance			
CATEGORY		St. Thomas Energy	Ontario
1	Customer Care	A	B+
	Price and Value	A	B+
	Customer Service	A	B+
2	Company Image	A	B+
	Company Leadership	A	B+
	Corporate Stewardship	A	B+
3	Management Operations	A+	A
	Operational Effectiveness	A+	A
	Power Quality and Reliability	A+	A
<b>OVERALL</b>		<b>A</b>	<b>B+</b>

**“A... Customer Care”**

**“A ... Company Image”**

**“A+ ... Management Operations”**



# Report Card:

St. Thomas Energy's UtilityPULSE Report Card®				
Part 1: Importance to Customers				
CATEGORY		St. Thomas Energy	National	Ontario
1	Customer Care	19%	19%	21%
2	Company Image	39%	34%	32%
3	Management Operations	41%	47%	47%
Total		100%	100%	100%



Shares may not add exactly to 100% due to rounding

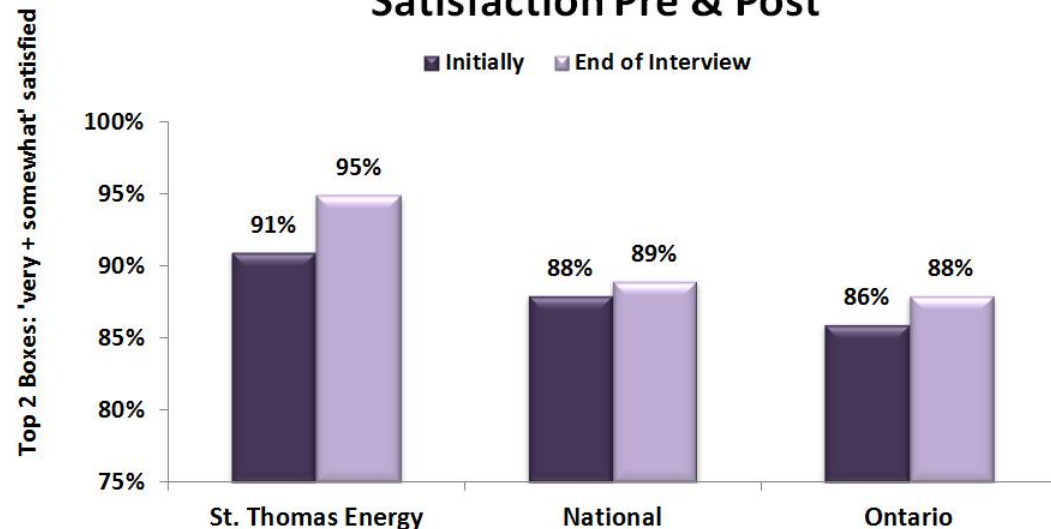
# Customer Satisfaction: PRE

**91%** “Satisfied : Beginning of Interview ”



Electricity bill payers who are 'very or fairly' satisfied with...				
	2012	2011	2010	2009
St. Thomas Energy	91%	*	90%	*
National	88%	89%	86%	90%
Ontario	86%	84%	80%	87%

## Satisfaction Pre & Post



Base: total respondents

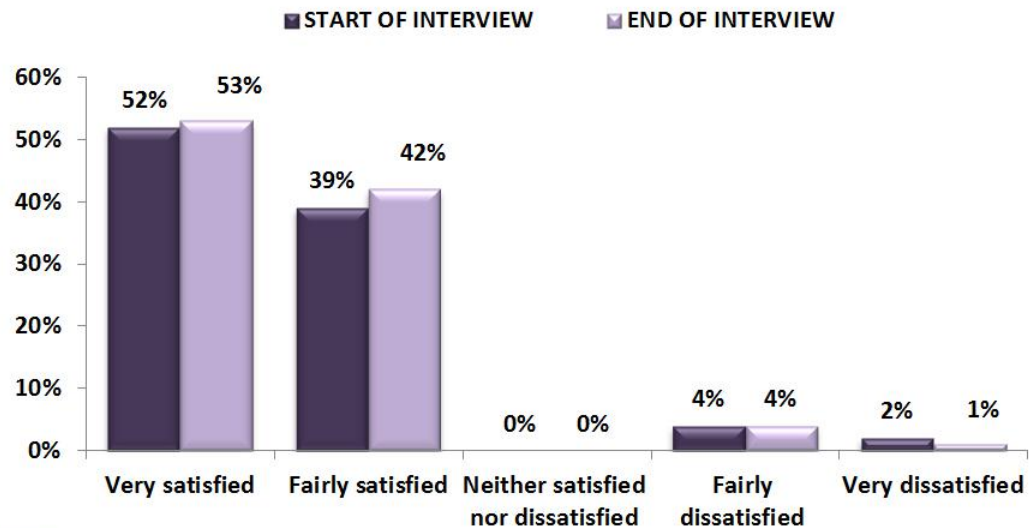
# Customer Satisfaction: POST

**95%** “Satisfied : End of Interview ”



Electricity bill payers who are 'very or fairly' satisfied with...				
	2012	2011	2010	2009
St. Thomas Energy	95%	*	96%	*
National	89%	90%	92%	92%
Ontario	88%	86%	89%	89%

## Satisfaction Pre & Post

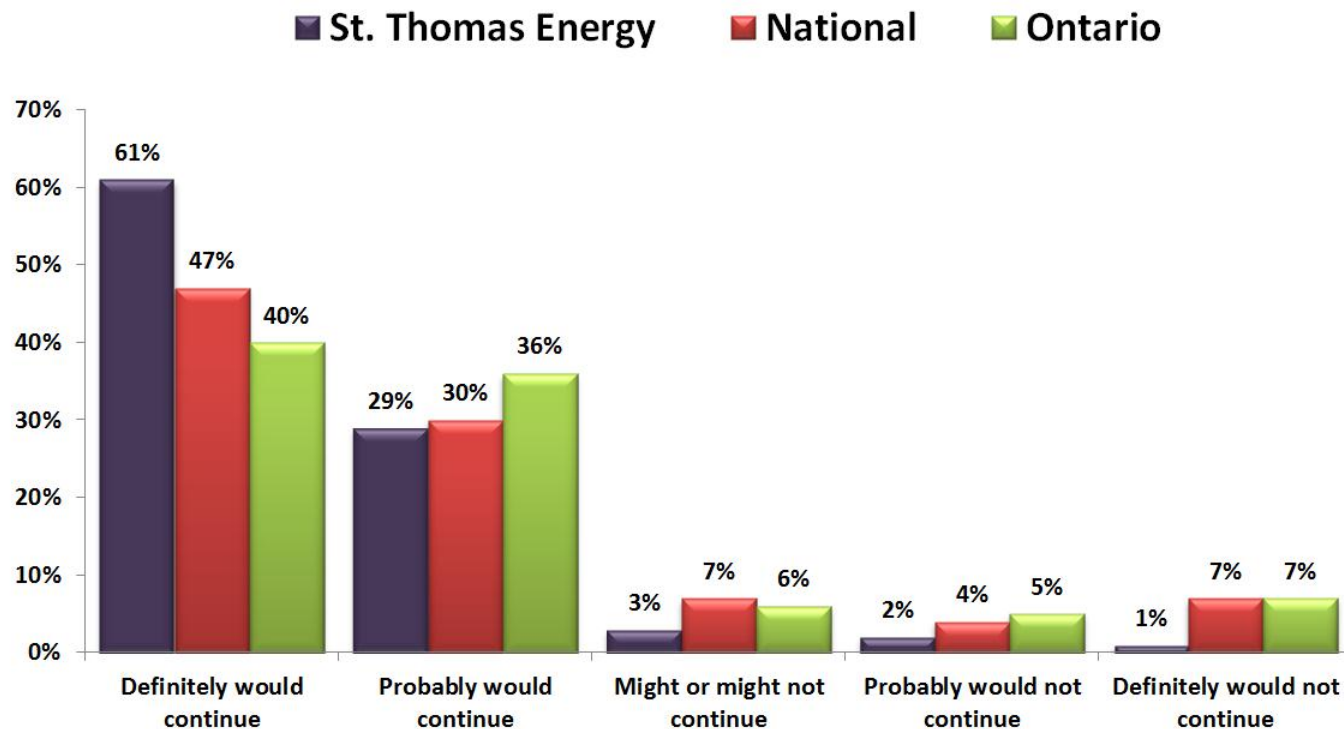


Base: total respondents



# Customer Commitment:

**90%** “Would continue to do business with ...”



Base: total respondents



# Corporate Image:

**91%** “Is a respected company in the community...”



Attributes strongly linked to a hydro utility's image			
	St. Thomas Energy	National	Ontario
Is a respected company in the community	91%	85%	82%
Maintains high standards of business ethics	89%	82%	80%
A leader in promoting energy conservation	85%	81%	79%
Keeps its promises to customers and the community	88%	81%	79%
Beyond providing jobs and paying taxes, is socially responsible	88%	80%	77%
Is a trusted and trustworthy company	90%	83%	80%



Base: total respondents with an opinion

# Credibility and Trust:

**90%** “Is a trusted and trustworthy company ...”



## Demonstrating Credibility and Trust

### Knowledge

The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value.

### Integrity

The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner.

### Involvement

The utility is actively involved in the industry, in the community and in things that affect the customer.

### Trust

The utility is an organization that can be trusted and is worthy of respect.

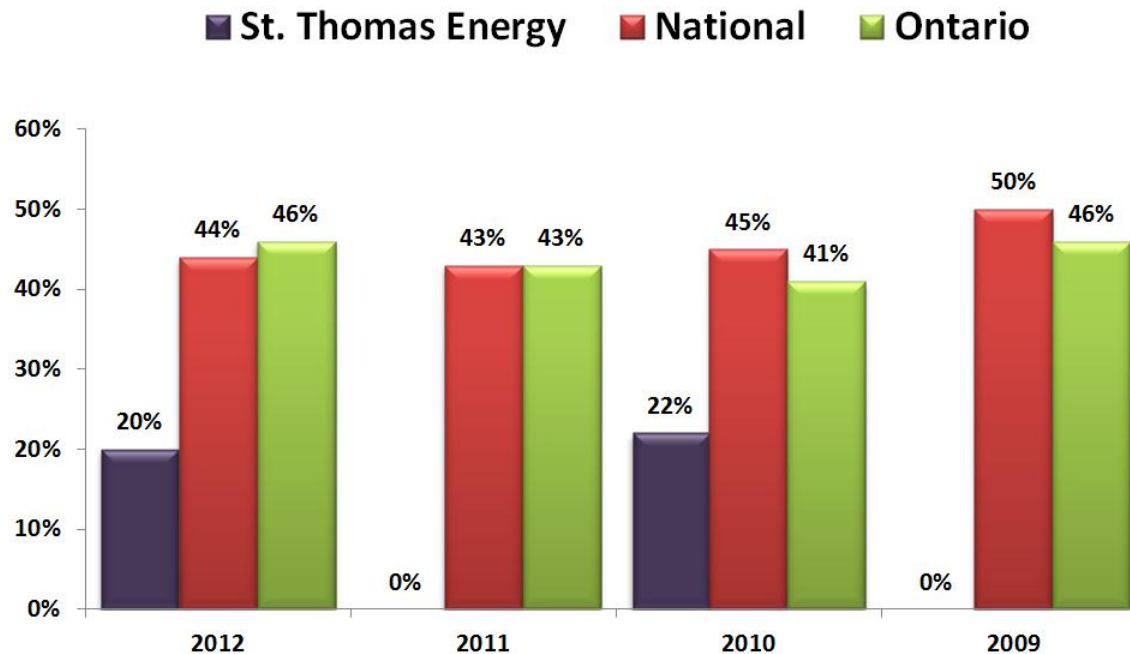
**Overall\* ... A**





# Outage Problems in last 12 months:

**20%** “Had Outage problems in past 12 months...”



Base: total respondents

# Operational Effectiveness:

**93%** “Quickly handles outages and restores power...”



Attributes describing operational effectiveness			
	St. Thomas Energy	National	Ontario
Provides consistent, reliable energy	94%	90%	89%
Delivers on its service commitments to customers	90%	86%	84%
Accurate billing	92%	85%	82%
Quickly handles outages and restores power	93%	89%	88%
Makes using electricity safely a top priority	92%	91%	90%
Uses responsible business practices when completing work	90%	86%	85%



Base: total respondents with an opinion

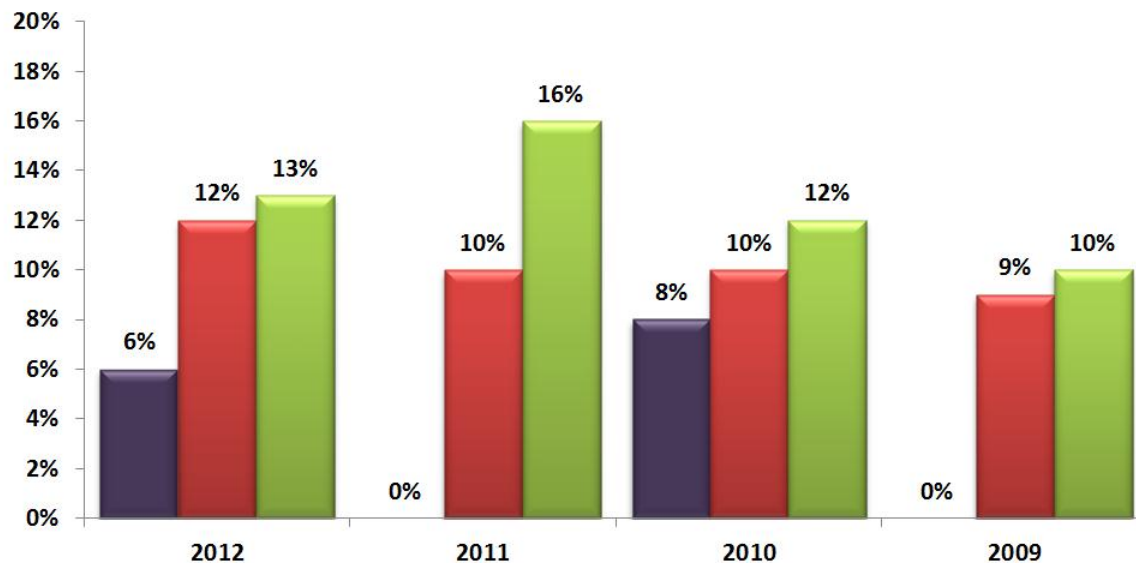
# Billing Problems in last 12 months:

6%

“Had Billing problems in past 12 months...”



■ St. Thomas Energy ■ National ■ Ontario



Base: total respondents

# Types of Bill problems:

**39%** “Amount owed was too high...”



	St. Thomas Energy
The amount owed was too high	39%
Complaint about rates or charges	17%
The meter reading was incorrect	17%
The bill arrived late	9%
Pricing systems (tiers or flat)	4%
No bill/skipped bill	4%



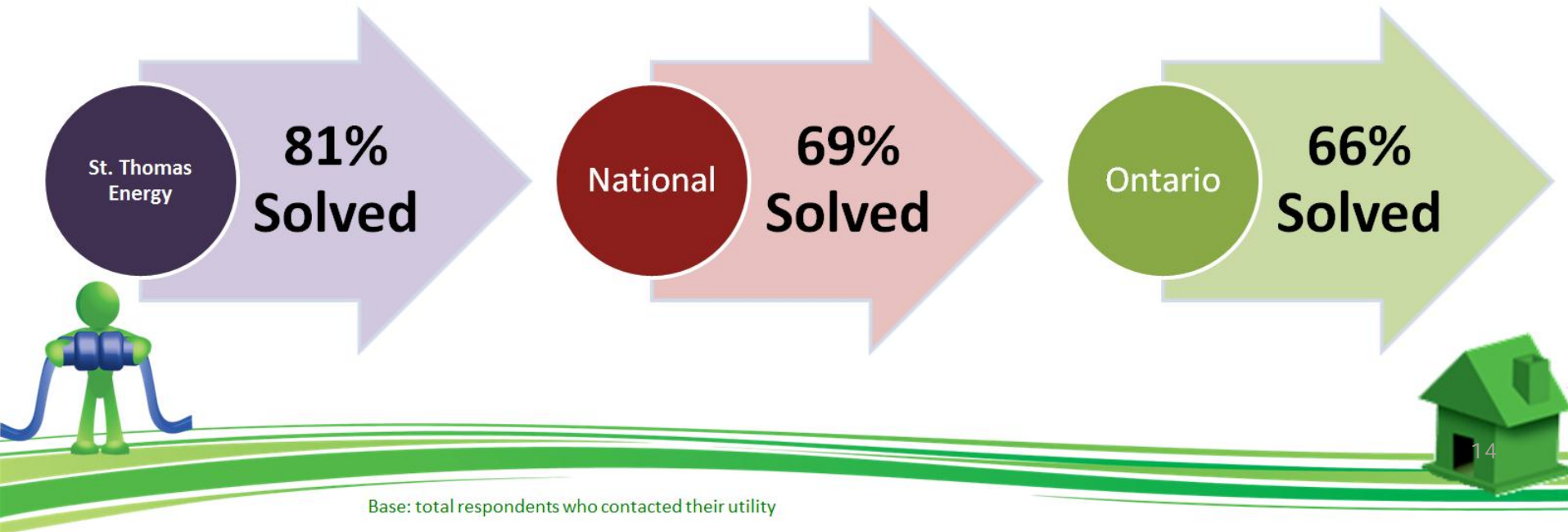
# Problem Solved:

**81%** “Problem was solved ...”



Percentage of Respondents who had problems and attempted to contact their utility			
	St. Thomas Energy	National	Ontario
Billing problems	52%	58%	52%
Outage problems	6%	35%	30%

Base: total respondents who had a billing or outage problems





# Customer Service:

**96%** “Satisfied with the level of helpfulness of staff ...”



Customer Service Expectations	St. Thomas Energy	National	Ontario
The time it took someone to answer the phone	85%	69%	69%
The time it took someone to deal with your problem	87%	72%	75%
The helpfulness of the staff who dealt with you	96%	75%	76%
The knowledge of the staff who dealt with you	89%	76%	73%
The level of courtesy of the staff who dealt with you	92%	83%	85%
The quality of information provided by the staff who dealt with you	91%	77%	74%



# Service Quality:

**80%** “Adapts well to changes in customer expectations...”



Attributes describing the local electricity utility			
	St. Thomas Energy	National	Ontario
Deals professionally with customers' problems	89%	83%	83%
Customer-focused and treats customers as if they're valued	85%	75%	75%
Provides good value for money	74%	70%	65%
Works with customers to keep their electricity costs affordable	72%	62%	60%
Is pro-active in communicating changes and issues which may affect customers	87%	75%	76%
Adapts well to changes in customer expectations	80%	73%	70%
The cost of electricity is reasonable when compared to other utilities	63%	65%	57%

**“89% ... Is a company that is 'easy to do business with' ”**

**“86% ... Quickly deals with issues that affect customers”**



# Hydro Results Snapshot:

➤ PRE Satisfaction rate (Top 2 Boxes)	91%
➤ POST Satisfaction rate (Top 2 Boxes)	95%
➤ Commitment: Continue to do business	90%
➤ Advocacy: Recommend to others	85%
➤ Loyalty: Secure customers	35%
➤ Provides consistent, reliable energy	94%
➤ Is a respected company in the community	91%
➤ Is a trusted and trustworthy company	90%
➤ Deals professionally with customers' problems	89%
➤ Delivers on service commitments to customers	90%
➤ Courtesy of staff	92%
➤ Makes using electricity safely a priority	92%
➤ Credibility and Trust	A
➤ UtilityPULSE Report Card Rating:	A





Going forward  
what are we  
going to look  
at.....

# Service Improvements:

*And we are interested in knowing what you think are the one or two most important things 'your local utility' could do or fix to improve service to their customers?*



**47%**

Better prices/lower rates

**20%**

Concerns about SMART meters

**14%**

Improve/simplify/clarify billing



## Attachment 2 of 3

### Utility Pulse 2012 Summary

# St. Thomas energy inc.

*We're Your Local Power Distributor*

## MEMORANDUM

Date: September 12, 2012  
To: St. Thomas Energy Inc. Board of Directors  
From: Jennifer Shannon-Mousseau, Director Customer Service  
Copy: Ascent Group Inc. Board of Directors  
SUBJECT: Customer Satisfaction Survey Results

---

### Purpose

St. Thomas Energy Inc. contracted with UtilityPULSE/Simul Corporation to conduct the bi-annual customer satisfaction survey that measures STEI's customer satisfaction within the community and benchmarks the results against other Provincial participants.

### Background Information:

The telephone survey was conducted between April 27<sup>th</sup> and May 2<sup>nd</sup>, 2012.

- Of the 1,043 customers contacted 401 completed the interview process.
- 85% were residential customers and the remaining 15% were commercial.

### Results:

- STEI's "customer satisfaction" rating ranked higher than not only the National but also the Provincial averages

#### **Pre-Interview numbers:**

St Thomas 91%                      National 88%                      Ontario 86%

#### **Post Interview numbers:**

St Thomas 95%                      National 89%                      Ontario 88%

### **Some highlights are:**

Percentage of Respondents indicating that they had a Blackout of Outage problem in the last 12 months			
	St. Thomas Energy	National	Ontario
2012	20%	44%	46%
2011	"	43%	43%
2010	22%	45%	41%
2009	"	50%	46%

Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	St. Thomas Energy	National	Ontario
2012	6%	12%	13%
2011	"	10%	16%
2010	8%	10%	12%
2009	"	9%	10%

Below are more great numbers for St Thomas Energy Inc.:

Overall Report Card Grade is "A"

St. Thomas Energy's UtilityPULSE Report Card®				
Performance				
	CATEGORY	St. Thomas Energy	National	Ontario
1	Customer Care	A	B+	B+
	Price and Value	A	B+	B+
	Customer Service	A	B+	B+
2	Company Image	A	A	B+
	Company Leadership	A	A	B+
	Corporate Stewardship	A	A	B+
3	Management Operations	A+	A	A
	Operational Effectiveness	A+	A	A
	Power Quality and Reliability	A+	A+	A
OVERALL		A	A	B+

\* Weightings are based on pulse figures shown in the UtilityPULSE Report Card®

### Summary

Overall, it is believed the results of the survey are quite positive as STEI's customers said:

- 91% - STEI is a "respected company in the community"
- 90% - STEI is a "trusted and trustworthy company"
- 96% - said "staff are helpful"
- 89% - said "staff are knowledgeable"

### RECOMMENDATION

Submitted for information only.

*This report has been reviewed by the Acting CEO and approved for submission to the Board.*

## Attachment 3 of 3

# 2015 Cost of Service-Stakeholder Presentation



# St. Thomas **energy** inc.

*We're Your Local Power Distributor*

a division of **Ascent**



## 2015 Cost of Service Initial Discussions

October 30, 2013

# Agenda

- Introductions
- 2011 Cost of Service Application
- 2012 Restructuring
- Modified IFRS Reporting
- 2011 - 2012 Summary
- 2015 Cost of Service Application



# Introductions

- Welcome
  - Glen Farrow, CFO Ascent
  - Rob Kent, Director Finance and Regulatory STEI
- STEI planning on filing COS application for rates effective January 1, 2015
- Opportunity to discuss STEI restructuring in 2012

# 2011 COS

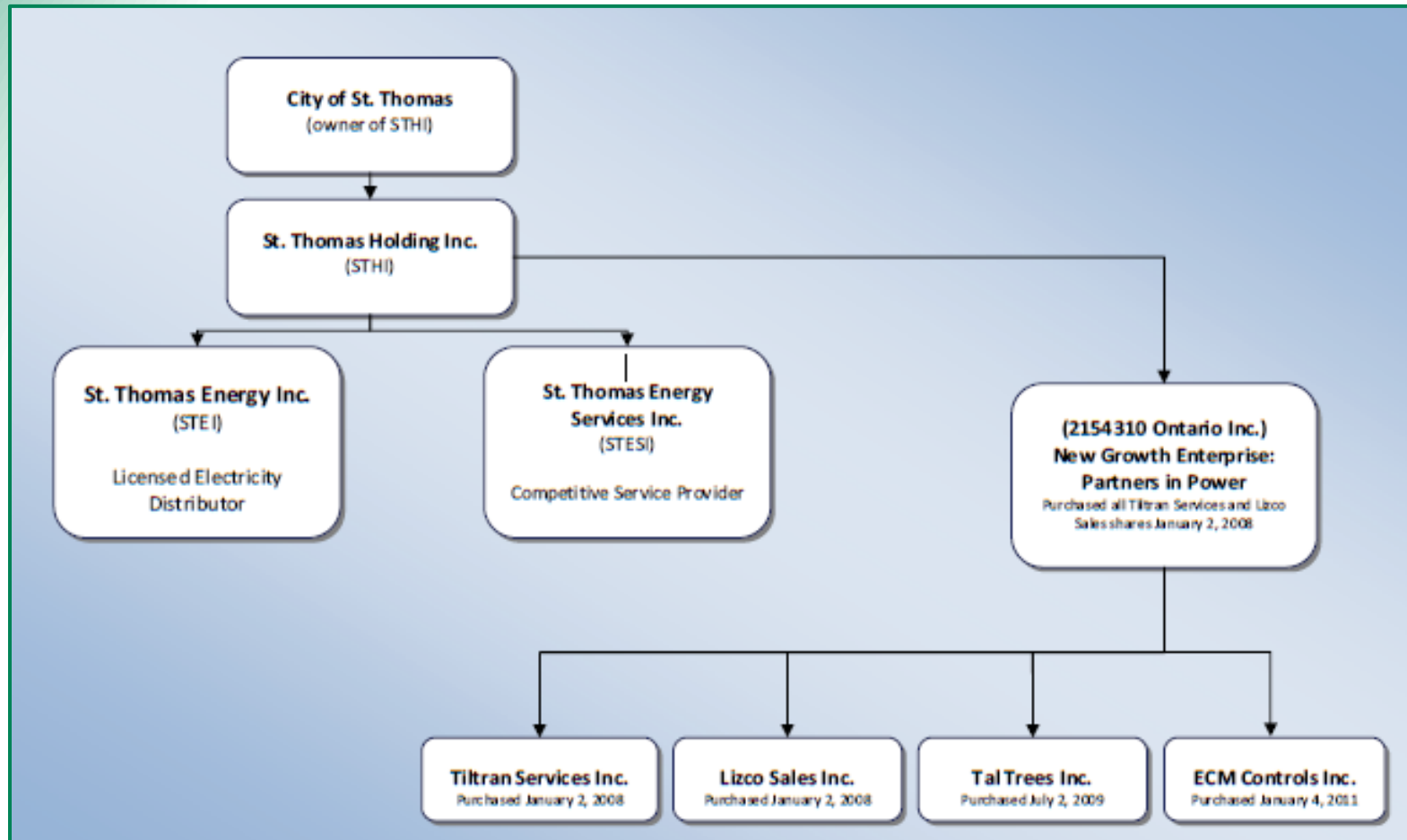
- Decision and Order on June 28, 2011
- 2011 STEI a virtual utility
- Owned distribution assets
- No staff, fleet, equipment, etc.
- Cost based upon a Management Services Agreement
- STEI submitted that it was being subsidized by Affiliate

# 2012 Restructuring

- Restructured January 1, 2012
- Operating Utility
- Transfer of assets from Affiliate
- Fleet, furniture & equipment, systems, etc.
- Own staff
- Majority of cost 3rd party
- Transfer pricing study completed by PwC for Affiliate costs.
- 2012 and 2013 financial results impacted by restructuring and regulatory rulings

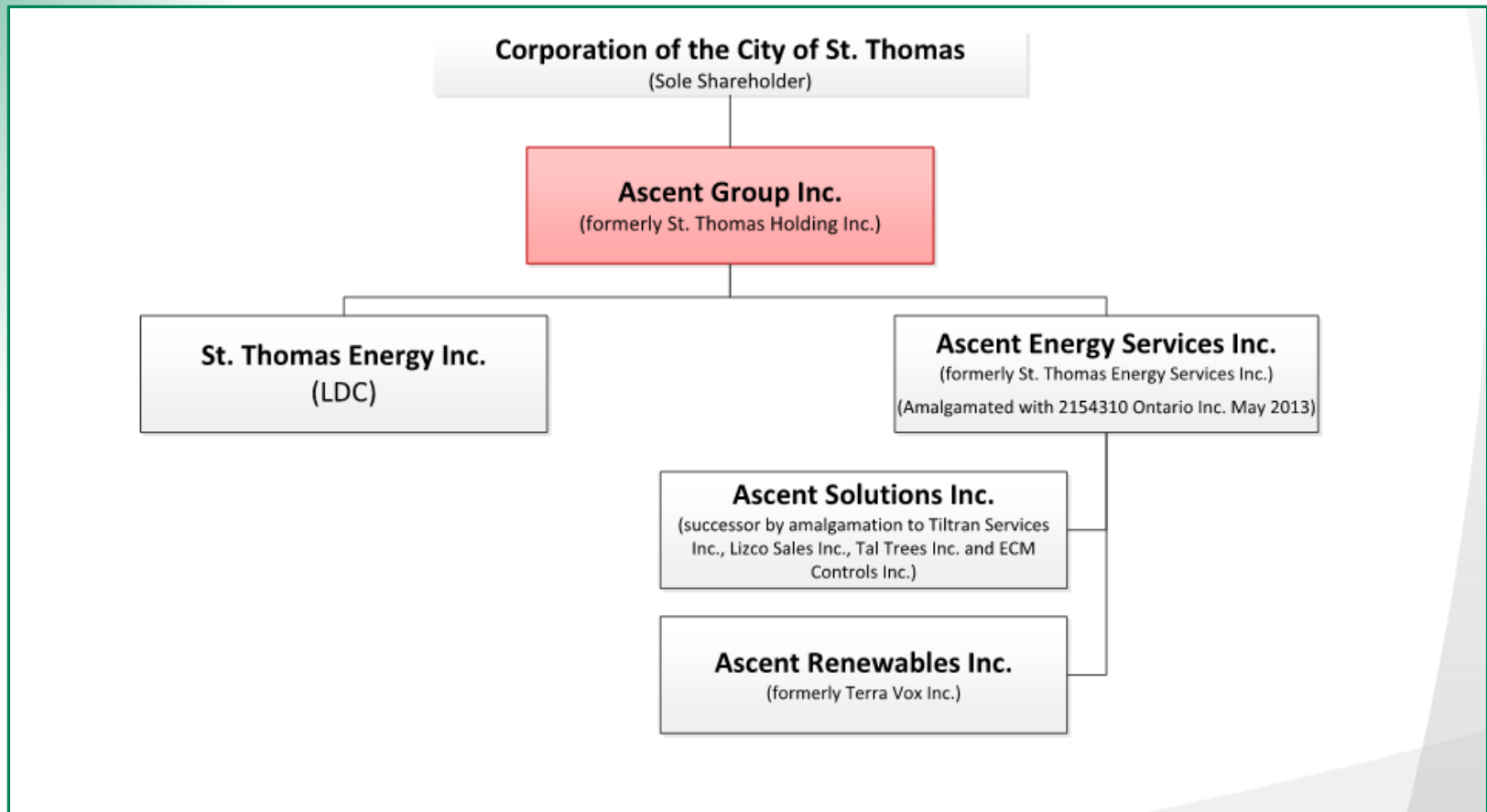
# 2012 Restructuring (cont)

## 2011 - Organizational Chart



# 2012 Restructuring (cont)

## Ascent Group Inc. - Current



# Modified IFRS Reporting

- 2012 restructuring, STEI under CGAAP adopted IFRS like PP&E policies for asset capitalization and useful life
- Amortization increased with increased asset base
- No administrative overhead capitalized
- 2013 MIFRS no changes from 2012 CGAAP

# 2011 compared to 2012

Area	2011	2012
<b>Structure</b>	Virtual	Operating
<b>Staff</b>	No	Yes
<b>Affiliate costs</b>	Yes	Yes
<b>Transfer pricing study</b>	No	Yes
<b>PP&amp;E</b>	Affiliate No administrative costs 3rd party costs	Direct labour/ benefits No administrative costs 3rd party costs
<b>Amortization</b>	H1	Kinectrics
<b>Capitalization Policy</b>	Informal	Formal, "IFRS" like
<b>IFRS Impacts</b>	No	No, change in useful life per GAAP review
<b>Rate Base</b>	\$23.88 M	\$23.88 M ++

# 2015 COS Application

- Anticipate rates effective January 1, 2015
- Anticipate increased rate base
- Greater costs transparency



*Thank you*



## FINANCIAL INFORMATION

### AUDITED FINANCIAL STATEMENTS

STEI's non-consolidated 2013 and 2012 audited financial statements are provided at E1/T3/S1/Att1.

The regulatory financial statements differ from the audited financial statements. The differences between the two for the years 2012 and 2013 are as follows:

**Table 1-17**

ST. Thomas Energy Inc.  
Financial Summary  
As at December 31, 2012

	Audit	OEB Trial Balance	Difference
<b>Assets</b>			
Current	7,879,796	7,879,796	-
PP&E	24,146,558	24,606,054	459,496
Other	2,490,933	2,490,933	-
<b>Total</b>	<b>34,517,287</b>	<b>34,976,783</b>	<b>459,496</b>
<b>Liabilities</b>			
Current	8,318,192	8,318,192	-
Long-term	14,567,207	14,567,207	-
Equity	11,631,888	12,091,384	459,496
<b>Total</b>	<b>34,517,287</b>	<b>34,976,783</b>	<b>459,496</b>
Distribution Revenues	8,499,437	8,499,437	-
OM&A	(5,786,340)	(5,786,340)	-
Interest	(999,319)	(999,319)	-
Amortization	(1,422,683)	(1,549,248)	(126,565)
Gain on disposal	1,270	1,270	-
Earnings before taxes	292,365	165,800	(126,565)
Taxes	(118,551)	(118,551)	-
<b>Net Income</b>	<b>173,814</b>	<b>47,249</b>	<b>(126,565)</b>

As per note 6 of the 2012 audited financial statements, STEI acquired assets as part of the restructuring from an affiliate company. The values of the assets were based upon independent third party valuations to meet the requirements for regulated entities. Under CGAAP the values

were recorded at net book value. STEI recorded the assets at FMV and will use these amounts for IFRS valuation.

The net difference between the internal and audited statements is that for OEB reporting the PPE and amortization are higher resulting in a reduced net income.

**Table 1-18**

**ST. Thomas Energy Inc.  
Financial Summary  
As at December 31, 2013**

	<b>Audit</b>	<b>OEB Trial Balance</b>	<b>Difference</b>
<b>Assets</b>			
Current	8,037,116	8,037,116	-
PP&E	25,042,088	25,408,552	<b>366,464</b>
Other	1,733,005	1,733,005	-
<b>Total</b>	<b>34,812,209</b>	<b>35,178,673</b>	<b>366,464</b>
<b>Liabilities</b>			
Current	7,618,563	7,618,563	-
Long-term	13,880,648	13,880,648	-
Equity	13,312,998	13,679,462	<b>366,464</b>
<b>Total</b>	<b>34,812,209</b>	<b>35,178,673</b>	<b>366,464</b>
Distribution Revenues	8,536,924	8,536,924	-
OM&A	(4,810,779)	(4,810,779)	-
Interest	(968,730)	(968,730)	-
Amortization	(1,081,077)	(1,143,709)	<b>(62,632)</b>
Gain on disposal	-	-	-
Earnings before taxes	1,676,338	1,613,706	<b>(62,632)</b>
Taxes	(25,628)	(25,628)	-
<b>Net Income</b>	<b>1,650,710</b>	<b>1,588,078</b>	<b>(62,632)</b>

See note 6. December 31, 2013 audited financial statements. Differences are driven by the market value adjustments identified in the 2012 reconciliation. The differences will disappear with the adopting of IFRS.

**1 ANNUAL REPORT AND MD&A**

- 2 STEI's Management Report for 2013 is provided in E1/T3/S1. STEI's parent company does not  
3 Ascent Group Inc. does not prepare a MD&A

**4 RATING AGENCY REPORTS**

- 5 STEI has no rating agency reports.  
6

**7 PROSPECTUSES, ETC.**

- 8 STEI has no past or planned prospectuses, etc.

## Attachment 1 of 3

# 2013 Audited Financial Statements

**ST. THOMAS ENERGY INC.**

**Financial Statements**

**December 31, 2013**

# **ST. THOMAS ENERGY INC.**

## **Financial Statements**

**For the Year Ended December 31, 2013**

---

<b>Table of Contents</b>	<b>PAGE</b>
Independent Auditors' Report	1
Balance Sheet	2
Statement of Retained Earnings	3
Statement of Operations	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 20



**GRAHAM SCOTT ENNS** LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

P. 519-633-0700 · F. 519-633-7009  
450 Sunset Drive, St. Thomas, ON N5R 5V1

P. 519-773-9265 · F. 519-773-9683  
25 John Street South, Aylmer, ON N5H 2C1

[www.grahamscottenns.com](http://www.grahamscottenns.com)

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder of **St. Thomas Energy Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **St. Thomas Energy Inc.**, which comprise the balance sheet as at December 31, 2013, and the statements of operations, retained earnings, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of **St. Thomas Energy Inc.** in accordance with Canadian generally accepted accounting principles.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the balance sheet of **St. Thomas Energy Inc.** as at December 31, 2013, and the statements of operations, retained earnings, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. Thomas, Ontario

March 26, 2014

*Graham Scott Enns LLP*  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants



# ST. THOMAS ENERGY INC.

## Balance Sheet As At December 31, 2013

	2013 \$	2012 \$
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Accounts receivable (net of allowance -\$116,300: 2012 - \$116,300)	3,475,632	3,407,439
Unbilled revenue	3,846,381	3,148,848
Inventory	33,094	41,684
Income taxes recoverable	191,177	280,334
Due from related parties (Note 15)	94,899	55,819
Current portion of prepaid expenses (Note 4)	395,933	390,171
	<u>8,037,116</u>	<u>7,324,295</u>
<b>PROPERTY, PLANT &amp; EQUIPMENT (NOTE 6)</b>	<u>25,042,088</u>	<u>24,702,059</u>
<b>OTHER ASSETS</b>		
Prepaid expenses (Note 4)	243,400	578,959
Regulatory accounts (Note 5)	166,848	159,411
Future tax asset (Note 16)	1,322,757	1,752,563
	<u>1,733,005</u>	<u>2,490,933</u>
<b>TOTAL ASSETS</b>	<u>34,812,209</u>	<u>34,517,287</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (Note 9)	123,703	914,329
Accounts payable and accrued liabilities	4,869,375	4,466,969
Customer deposits	353,120	333,495
Current portion of long-term liabilities (Note 10)	149,834	740,196
Due to City of St. Thomas (Note 15)	2,122,531	2,063,300
	7,618,563	8,518,289
<b>RELATED PARTY TERM LOAN (NOTE 15)</b>	3,500,000	3,500,000
<b>NOTE PAYABLE TO CITY OF ST. THOMAS (NOTE 11)</b>	7,714,426	7,714,426
<b>REGULATORY ACCOUNTS (NOTE 5)</b>	1,675,017	2,012,492
<b>EMPLOYEE RETIREMENT BENEFIT LIABILITIES (NOTE 7)</b>	991,205	1,140,192
<b>TOTAL LIABILITIES</b>	<u>21,499,211</u>	<u>22,885,399</u>
<b><u>SHAREHOLDER'S EQUITY</u></b>		
<b>SHARE CAPITAL (NOTE 12)</b>	7,714,426	7,714,426
<b>RETAINED EARNINGS</b>	5,598,572	3,917,462
	<u>13,312,998</u>	<u>11,631,888</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>34,812,209</u>	<u>34,517,287</u>

See accompanying notes to the financial statements.

**ST. THOMAS ENERGY INC.**

**Statement of Retained Earnings  
For the Year Ended December 31, 2013**

---

	<b>2013</b>	<b>2012</b>
	<b><u>\$</u></b>	<b><u>\$</u></b>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>3,917,462</b>	4,579,709
Net income for the year	<b>1,650,710</b>	173,814
Related party transaction adjustment (Note 15)	<b><u>30,400</u></b>	<u>(586,061)</u>
	<b>5,598,572</b>	4,167,462
Dividends paid	<b><u>-</u></b>	<u>(250,000)</u>
<b>BALANCE, END OF YEAR</b>	<b><u>5,598,572</u></b>	<u>3,917,462</u>

---

See accompanying notes to the financial statements.

# ST. THOMAS ENERGY INC.

## Statement of Operations For the Year Ended December 31, 2013

	2013	2012
	\$	\$
<b>REVENUES</b>		
Gross revenue	36,170,899	37,281,856
Flow-through costs	<u>(29,347,928)</u>	<u>(30,231,382)</u>
Net revenue from electrical distribution	6,822,971	7,050,474
Other service revenue	1,468,683	1,226,304
Late payment charges	130,857	118,049
Interest	47,483	83,112
Conservation and demand management	<u>66,930</u>	<u>21,498</u>
	<u>8,536,924</u>	<u>8,499,437</u>
<b>EXPENDITURES</b>		
Operations and maintenance	1,376,798	1,442,510
Customer service	1,434,162	1,616,412
Administration	<u>1,999,819</u>	<u>2,724,255</u>
	<u>4,810,779</u>	<u>5,783,177</u>
<b>INCOME BEFORE AMORTIZATION, INTEREST AND TAXES</b>	3,726,145	2,716,260
Amortization	1,081,077	1,422,683
Interest - Long-term	917,321	879,372
Interest - Customer deposits and regulatory accounts	<u>51,409</u>	<u>123,110</u>
<b>INCOME BEFORE GAIN ON DISPOSAL</b>	1,676,338	291,095
<b>GAIN ON DISPOSAL OF EQUIPMENT</b>	<u>-</u>	<u>1,270</u>
<b>INCOME BEFORE PAYMENT IN LIEU OF TAXES</b>	1,676,338	292,365
<b>PROVISION FOR PAYMENT IN LIEU OF TAXES (NOTE 16)</b>	<u>25,628</u>	<u>118,551</u>
<b>NET INCOME FOR THE YEAR</b>	<u>1,650,710</u>	<u>173,814</u>

See accompanying notes to the financial statements.

**ST. THOMAS ENERGY INC.**

**Statement of Cash Flows**

**For the Year Ended December 31, 2013**

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the year	1,650,710	173,814
Adjustments:		
Amortization of property, plant and equipment	1,081,079	1,422,683
Change in employment retirement benefit liabilities	(153,575)	21,407
Gain on disposal of equipment	-	(1,270)
Future income tax expense	<u>31,300</u>	<u>137,224</u>
	<u>2,609,514</u>	<u>1,753,858</u>
Changes in non-cash working capital (note 18)	<u>(336,554)</u>	<u>3,495,399</u>
Cash flow from operating activities	<u>2,272,960</u>	<u>5,249,257</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment (gross of contributed capital)	(2,017,249)	(6,200,754)
Proceeds on disposal of equipment	30,400	1,270
Contributed capital contributions in aid of construction	<u>596,144</u>	<u>318,521</u>
Cash flow used in investing activities	<u>(1,390,705)</u>	<u>(5,880,963)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due to Ascent Energy Services Inc.	22,348	(1,524,386)
(Increase) decrease in due from Ascent Group Inc.	(116,996)	40,523
(Increase) decrease in due from Ascent Solutions Inc.	55,568	(18,120)
Decrease in bank loan payable	(52,549)	(49,692)
Dividends paid	<u>-</u>	<u>(500,000)</u>
Cash flow from (used in) financing activities	<u>(91,629)</u>	<u>(2,051,675)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>790,626</b>	<b>(2,683,381)</b>
<b>(BANK INDEBTEDNESS) CASH, BEGINNING OF YEAR</b>	<u>(914,329)</u>	<u>1,769,052</u>
<b>BANK INDEBTEDNESS, END OF YEAR</b>	<u>(123,703)</u>	<u>(914,329)</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<u>722,087</u>	<u>792,636</u>
Income Taxes Paid (Recovered)	<u>(94,829)</u>	<u>218,818</u>

See accompanying notes to the financial statements.

# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2013**

---

### **1. BASIS OF ACCOUNTING**

These financial statements have been prepared in accordance with Part V of the CICA Handbook which is the accounting framework that the financial statements were prepared in the prior year.

St. Thomas Energy Inc. is a rate regulated enterprise and as such is required to adopt international Financial Reporting Standards (IFRS). The Canadian Accounting Standards Board (AcSB) has permitted rate-regulated entities to defer their IFRS implementation until January 1, 2015.

### **2. NATURE OF BUSINESS**

St. Thomas Energy Inc. (the Corporation) is incorporated under the Business Corporations Act (Ontario) on November 3, 2000 and is wholly owned by Ascent Group Inc.

The principal business of St. Thomas Energy Inc. is the transmission and distribution of electricity to customers within the St. Thomas area and the business is primarily regulated by the Ontario Energy Board (OEB).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In the opinion of management, the financial statements have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

#### Accounting Estimates

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from estimates, in particular including changes as a result of future decisions made by the OEB. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

In particular, the corporation uses estimates when accounting for certain items, including:

- Allowance for doubtful accounts
  - Net realizable value of inventory
  - Useful lives of tangible assets
  - Unbilled revenue
  - Regulatory accounts
  - Future income taxes
  - Revenues
  - Employee benefit plans
-

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Water Accounts Receivable

Water and sewer accounts receivable are maintained by the corporation on behalf of the City of St. Thomas.

#### Inventories

Inventory consists primarily of materials and supplies. Items considered to be major future components of property, plant and equipment are recorded as property, plant and equipment. Inventory is carried at the lower of cost and net realizable value, with cost determined on an average cost basis.

#### Revenue Recognition

Hydro power revenue is recorded based on OEB-approved distribution rates and is recognized as electricity is delivered to customers, on the basis of cyclical billings. Unbilled revenue is based on estimates of customer usage from the last meter reading to the end of the year. The purchase of hydro power is recorded in the month to which it relates. Other revenues, which include revenues from electricity distribution related services are recognized as the services are performed.

#### Financial Instruments

At inception, all financial instruments which meet the definition of a financial asset or financial liability are recorded at fair market value, unless fair value cannot be reliably determined. Gains and losses related to the measurement of financial instruments are reported in statement of operations. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the corporation. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties.

The following summarizes the accounting classification the corporation has elected to apply to each of its significant categories of financial instruments:

Cash	Held for trading
Due to related parties	Loans and receivables
Accounts receivable and unbilled revenue	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Customer deposits	Other financial liabilities
Term loan and notes payable	Other financial liabilities

# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2013**

---

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Regulatory Accounting

The distribution rates of the corporation are based on a revenue requirement that provides a regulated Maximum Allowable Return on Equity ("MARE") on the amount of the shareholder's equity supporting the business of the electricity distribution, which is also determined by regulation. The corporation files a rate application with the OEB annually. Rates are typically effective May 1 to April 30 of the following year. Accordingly, for the first four months of the year, distribution revenue is based on the rate approved from the previous year. Once every four years, the corporation files an Electricity Distribution Rate application ("EDR") where rates are rebased through a cost of service review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. A cost of service EDR application is based on a forecast of the amount of operating and capital expenses, debt and shareholder's equity required to support the corporation's business. An IRM application results in a formula based adjustment to distribution rates to increase distribution rates for annual change in the GDP IPI-FDD net of a productivity factor and a "Stretch Factor" determined by the relative efficiency of an electricity distributor.

The corporation's last cost of service EDR application was made in 2011 and approved on July 28th with rates effective July 1, 2011. Such decision provided for service distribution revenue requirement and rate base of \$6,210,464 and \$23,877,673 respectively. The above amount does not include provision for the investment of the corporation in the Smart Meter Initiative. The corporation was given approval December 19th with an effective date of January 3, 2013 for the Smart Meter Initiative rate base inclusion.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated corporation. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The corporation's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the corporation has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the corporation been unregulated. The corporation continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates.

If, at some future date, the corporation judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in that period that the assessment is made. Specific regulatory assets and liabilities are disclosed in Note 5.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Regulatory Accounting (continued)

On November 12, 2010, the OEB amended LDC licenses to include requirements for achieving certain CDM targets over a four year period commencing January 1, 2011. The corporation's CDM targets include a demand reduction target of 3.94 MW and a consumption reduction target of 14,920 MWh. LDCs must also comply with a new CDM Code of the OEB, which provides LDC requirements for the development and delivery of CDM Strategy to the OEB for the achievement of the LDC-specific CDM targets, annual accounting and reporting to the OEB, and eligibility criteria for performance incentive payments. The corporation has filed its CDM Strategy with the OEB.

#### Pension Agreements

The corporation makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on length of service and rates of pay.

#### Property, Plant & Equipment

Property, plant & equipment are stated at cost and are amortized on the straight-line basis over their estimated service lives. No amortization is provided for construction in progress or major spare parts.

The amortization rates are as follows:

	<u>Life Years</u>	<u>Rate</u>
Buildings	60	1.7%
Distribution system	40 - 60	1.7% - 2.5%
Transformers	40	2.5%
Meters	15 - 30	3.3% - 6.7%
Substations	40 - 45	2.2% - 2.5%
Graphical information system	15	6.7%
Rolling stock	5 - 15	6.7% - 20.0%
Mobile substations	15	6.7%
Miscellaneous equipment	10	10.0%
Computer hardware and software	5 - 10	10.0% - 20.0%

When non-grouped capital assets are sold or otherwise disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss on disposition is recognized in earnings. Grouped capital assets are, by their nature not readily identifiable as individual assets. The related cost and accumulated amortization is therefore removed from the respective accounts at the end of their estimated useful life regardless of actual service life. Any proceeds on disposition are recognized in earnings in the year of disposition.



# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2013**

---

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Contributions to Property, Plant and Equipment

Contributions are received from developers and contractors for capital costs incurred by the corporation. These contributions are included as a reduction to the cost of the related property, plant or equipment when those assets are placed in service.

#### Corporate Income and Capital Taxes

Under the Electricity Act, 1998, St. Thomas Energy Inc. is required to make payments in lieu of corporate taxes to Ontario Electric Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

#### Current Income Taxes

The provision for current taxes and the assets and liabilities recognized for the current and prior periods are measured at the amounts receivable or payable from/to the OEFC.

#### Future Income Taxes

Future income taxes are provided for using the liability method and are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Future income tax liabilities are generally recognized on all taxable temporary differences and future tax assets are recognized to the extent that it is more likely than not that they be realized from taxable profits available against which deductible temporary differences can be utilized.

Future income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Future income taxes are charged or credited to the statement of operations.

The carrying amount of future income tax assets is reviewed at each balance sheet date and reduced to the extent that all or part of the future income tax assets have not met the “more likely than not” criterion. Previously unrecognized future income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more likely than not of being recovered from future taxable profits.

Effective January 1, 2009, the corporation adopted the changes to CICA Handbook Section 3465 - Income Taxes, which states that, as a rate regulated entity, future income tax assets will be returned to customers as they are recovered. As a result, all increases and decreases in future income tax assets are offset by a regulatory liability.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

<b>4. PREPAIDS</b>	<b>2013</b>	<b>2012</b>
	<u>\$</u>	<u>\$</u>
Prepaid interest on Note Payable to City of St. Thomas (note 11)	<b>332,663</b>	506,952
Rate rebasing costs	<b>123,476</b>	246,952
Prepaid annual credit review fees (note 11)	<b>63,480</b>	96,600
Other	<u><b>119,714</b></u>	<u>118,626</u>
	<b>639,333</b>	969,130
Less: current portion	<u><b>(395,933)</b></u>	<u>(390,171)</u>
	<u><b>243,400</b></u>	<u>578,959</u>
<b>5. REGULATORY ASSETS AND LIABILITIES</b>	<b>2013</b>	<b>2012</b>
	<u>\$</u>	<u>\$</u>
Regulatory assets consist of the following:		
Other regulator variance accounts	<u><b>166,848</b></u>	<u>159,411</u>
	<u><b>166,848</b></u>	<u>159,411</u>
Regulatory liabilities consist of the following:		
Retail settlement variance accounts prior to January 1, 2009	<b>127,828</b>	312,137
Retail settlement variance accounts for the 2009 calendar year	<b>(45,824)</b>	(52,256)
Retail settlement variance accounts for the 2010 calendar year	<b>(22,338)</b>	333,010
Retail settlement variances	<b>449,373</b>	388,342
Regulatory future income tax liability	<u><b>1,225,644</b></u>	<u>1,624,150</u>
	<b>1,734,683</b>	2,605,383
Less: current portion	<u><b>59,666</b></u>	<u>592,891</u>
	<u><b>1,675,017</b></u>	<u>2,012,492</u>

Retail settlement variances represent amounts accumulated since January 1, 2011. These variances are comprised of variances between amounts charged by the Independent Electricity Market Operator and amounts billed to customers plus variances from settlement and transmission charges. In the absence of the rate regulation, these costs (revenues) would be charged to the period incurred.

The OEB approved a Rate Order on March 29, 2010, effective May 1, 2010. This Order included, in part, costs related to smart meters and Group 1 Deferral and Variance Accounts up to December 31, 2008.

The OEB approved a Rate Order on July 28, 2011, effective July 1, 2011. This Order included, in part, costs related to Group 1 Deferral and Variance Accounts up to December 31, 2009.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 5. REGULATORY ASSETS AND LIABILITIES (CONTINUED)

The OEB approved a Rate Order on April 19, 2012, effective May 1, 2012. This Order included, in part, costs related to Group 1 Deferral and Variance Accounts up to December 31, 2010.

#### *Regulatory Future Income Tax Asset and Liability*

Future income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The corporation has recognized regulatory assets and liabilities which correspond to future income taxes that flow through the rate-making process. In the absence of rate regulated accounting, the corporation's provision for PILs would have been recognized using the liability method and there would be no regulatory accounts set up for taxes to be recovered through future rates.

### 6. PROPERTY, PLANT & EQUIPMENT

	Cost	Accumulated Amortization	2013	2012
	\$	\$	\$	\$
Land	181,826	-	<b>181,826</b>	181,826
Buildings	2,396,552	970,946	<b>1,425,606</b>	1,449,768
Distribution system	22,565,166	11,476,906	<b>11,088,260</b>	10,642,181
Transformers	7,870,706	4,747,047	<b>3,123,659</b>	3,303,927
Meters	5,282,127	2,333,211	<b>2,948,916</b>	3,177,105
Substations	8,354,406	4,448,812	<b>3,905,594</b>	3,717,950
Rolling stock	625,099	91,046	<b>534,053</b>	339,059
Mobile substations	207,111	27,615	<b>179,496</b>	193,303
Miscellaneous equipment	214,847	47,754	<b>167,093</b>	159,744
Computer hardware and software	851,793	303,977	<b>547,816</b>	495,624
Graphical information system	467,702	57,707	<b>409,995</b>	371,381
Major spare parts	441,032	-	<b>441,032</b>	555,502
Construction in progress	<u>88,742</u>	<u>-</u>	<b><u>88,742</u></b>	<u>114,689</u>
Net book value per GAAP	<u>49,547,109</u>	<u>24,505,021</u>	<b><u>25,042,088</u></b>	<u>24,702,059</u>
Related party transaction adjustment	<u>548,061</u>	<u>181,597</u>	<b><u>366,464</u></b>	<u>459,496</u>
Net book value per OEB reporting	<u>50,095,170</u>	<u>24,686,618</u>	<b><u>25,408,552</u></b>	<u>25,161,555</u>

During the prior year the corporation acquired assets from a sister corporation. The transaction was completed using valuations from third party professionals to meet the requirements for regulated entities. Under Canadian generally accepted accounting principals, this transaction was required to be recorded at the net book value of the assets acquired from the sister corporation. As a result of this transaction, the corporation is required to maintain two separate book values for reporting purposes.

---

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 6. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

The book values reported to the OEB are based on the fair market value of the assets acquired from the sister corporation and are amortized according to the same amortization rates reflected in the property, plant and equipment accounting policy note. The related party adjustment above reconciles the differences between the two book values used for GAAP and OEB reporting purposes.

### 7. EMPLOYEE RETIREMENT BENEFIT LIABILITIES

Employee future benefits are liabilities of the corporation to its employees for benefits provided to retirees until they reach 65 years of age as at December 31, 2013. The last actuarial review was completed as at December 31, 2011. The significant assumptions are as follows:

Consumer Price Index	2.00%
Discount rate	4.50%
Assumed salary increase per annum	3.00%
Healthcare cost increase	5.00% - 6.13%
Average retirement age	57 years

	2013 \$	2012 \$
Accrued benefit obligation, January 1	1,234,948	-
Balance transferred from related party reflecting movement of employees	-	1,213,561
Actuarial gain	(162,204)	-
Current service cost	31,918	37,004
Interest cost	58,240	57,742
Benefits paid for the year	(81,529)	(73,359)
Accrued benefit obligation, December 31	1,081,373	1,234,948
Less: current portion	90,168	94,756
	<u>991,205</u>	<u>1,140,192</u>

The amount contributed to OMERS for 2013 was \$195,528 (2012- \$175,020) for current services.

### 8. BANK LOAN PAYABLE

	2013 \$	2012 \$
Term note - Bank of Nova Scotia, repayable in blended monthly instalments of \$4,513, prime plus 1.6% due December 2013, specifically secured by a vehicle.	-	52,549
Less: current portion	-	52,549
	<u>-</u>	<u>-</u>

Interest expense for the year on bank loan payable was \$1,321 (2012-\$3,476 ).

---

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 9. BANK OF NOVA SCOTIA FACILITY

The corporation's banking facilities with the Bank of Nova Scotia are arranged through a credit facility for the corporation's sole shareholder, Ascent Group Inc., encompassing borrowing facilities for all its subsidiary corporations.

Under the facility, the corporation has access to the following available credit facilities:

- (1) Operating line of \$11,000,000, by way of lines of credit, bearing interest at bank prime plus 0.25% (3.25% at December 31, 2013) or by way of bankers acceptances;
- (2) Temporary operating facility of \$2,000,000, bearing interest at bank prime plus 0.75% per annum (3.75% at December 31, 2013);
- (3) 364 Day Revolving Term facility of \$10,000,000, convertible to a non-revolving 2 year term loan provided no event of default has occurred. Interest is payable at bank prime plus 0.55% per annum (3.55% at December 31, 2013) or Bankers Acceptances plus 2.05% or can be fixed at market rates. In addition, the interest rate on debt up to \$7,000,000 (cumulative) can be fixed by way of interest rate swap. At December 31, 2013, \$5,000,000 face value of the drawn facility was swapped at Banker Acceptance rate of 3.15% (5.20% including stamping fee) until January 31, 2016;
- (4) Standby Letter of Credit facility (available only for the Independent Electricity System Operator commitment from St. Thomas Energy Inc.) (see note 13).

The corporation has provided to the Bank of Nova Scotia a limited guarantee, not to exceed 25% of the corporation's equity, towards the above facilities, secured by a general security agreement over all present and future personal property with appropriate insurance coverage. As at December 31, 2013 the maximum guarantee for St. Thomas Energy Inc. would be \$3,328,250 (2012 - \$2,907,972 ).

As at December 31, 2013, the following amounts were drawn on the facilities by Ascent Group Inc. and its subsidiary corporations, for which the corporation has provided a limited guarantee:

Operating Line	\$6,068,350 (2012 - \$6,577,925)
Temporary Operating	\$2,000,000 (2012 - \$nil)
364 Day Revolving Term	\$9,747,880 (2012 - \$9,869,425)
Standby Letters of Credit	\$2,112,910 (2012 - \$2,112,910)

10. CURRENT PORTION OF LONG-TERM LIABILITIES	2013	2012
	\$	\$
Current portion of regulatory accounts (Note 5)	59,666	592,891
Current portion of employee retirement liabilities (Note 7)	90,168	94,756
Current portion of bank loan payable (Note 8)	-	52,549
	<u>149,834</u>	<u>740,196</u>

---

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 11. PROMISSORY NOTE PAYABLE TO CITY OF ST. THOMAS

	2013	2012
	<u>\$</u>	<u>\$</u>
Promissory note payable	<u>7,714,426</u>	<u>7,714,426</u>

The promissory note is payable to the City of St. Thomas, bears interest at 9% per annum, and is unsecured. Interest is payable monthly. The principal balance is due on the earlier of November 15, 2015 (the maturity date) and the date which is 366 days from a written demand from the City for repayment.

The corporation was required under the terms of the note to pre-pay interest equal to 2.25% per annum in respect of each year of the term of the note.

In 2013 St. Thomas Energy Inc. paid the City of St. Thomas \$520,724 of interest costs. Total interest expense related to the promissory note payable in 2013 was \$727,407 which consisted of prepaid interest and financing costs expensed of \$206,683 in addition to the \$520,724 paid to the City of St. Thomas.

### 12. SHARE CAPITAL

	2013	2012
	<u>\$</u>	<u>\$</u>
Authorized Capital:		
Unlimited common shares		
Issued Capital:		
1,001 Common shares	<u>7,714,426</u>	<u>7,714,426</u>

### 13. COMMITMENTS

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if St. Thomas Energy Inc. fails to make a payment required by a default notice issued by the IMO. As at December 31, 2013, the Corporation provided prudential support of \$2,112,910.

### 14. CONTINGENT LIABILITIES

The corporation has made guarantees on the corporate group's lending facilities. See note 9.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 15. RELATED PARTY TRANSACTIONS

During the year, the corporation had business transactions with Ascent Energy Services Inc., Ascent Solutions Inc., Ascent Group Inc., and the City of St. Thomas.

The particulars of these transactions and balances owing from or to these corporations for the years ended December 31, were as follows:

	2013	2012
	<u>\$</u>	<u>\$</u>
Transactions during the year:		
Service revenue transactions during the year:		
Ascent Solutions Inc.	47,405	36,499
City of St. Thomas	296,184	306,065
Ascent Energy Services Inc.		
Purchased services	71,032	208,188
Ascent Group Inc.		
Management service fee	456,289	760,870
Interest paid on long-term debt	149,952	145,301
Dividends paid	-	250,000
City of St. Thomas		
Interest paid on long-term debt	520,724	520,724
Balances at end of year:		
Amounts due from Ascent Group Inc.	(146,382)	(29,385)
Amounts due to (from) Ascent Energy Services Inc.	14,035	(8,314)
Amounts due to (from) Ascent Solutions Inc.	<u>37,448</u>	<u>(18,120)</u>
	<u>(94,899)</u>	<u>(55,819)</u>
Amounts due to the City of St. Thomas	<u>2,122,531</u>	<u>2,063,300</u>
364 Day Term Loan - Due to Ascent Group Inc.	<u>3,500,000</u>	<u>3,500,000</u>

The 364 Day Term Loan was borrowed from Ascent Group Inc. under the same lending conditions as the 364 Day Revolving Term Facility (note 9), and bears interest at bank prime (3.00% as at December 31, 2013) plus 0.55% per annum with interest payable monthly.

During the year, the corporation sold a vehicle to a related corporation. As this transaction was outside the normal course of operations, the gain on the sale of vehicle of \$30,400 has been recorded in retained earnings.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

<b>16. PROVISION FOR PAYMENT IN LIEU OF TAXES</b>	<b>2013</b>	<b>2012</b>
	<u>\$</u>	<u>\$</u>
Income before provision for PIL's	<b>1,676,338</b>	292,365
Combined rate of federal and provincial income tax	<b><u>26.50%</u></b>	<u>26.50%</u>
Provision for PIL's at statutory rate	<b>444,230</b>	77,477
Increase (decrease) resulting from:		
Federal and provincial tax credits	<b>(29,799)</b>	(18,675)
Finance fee timing difference	<b>(11,925)</b>	(11,925)
Excess of CCA over amortization	<b>(266,481)</b>	(182,383)
Change in non deductible employee retirement benefit reserve	<b>(40,697)</b>	5,668
(Utilization) carry forward of losses for tax purposes	<b>(103,425)</b>	103,425
Other	<b><u>2,425</u></b>	<u>7,740</u>
Total income tax recovery for PILs	<b>(5,672)</b>	(18,673)
Future tax provision	<b><u>31,300</u></b>	<u>137,224</u>
	<b><u>25,628</u></b>	<u>118,551</u>

The current income tax provision (recovery) for PILs represents the amount (recoverable) payable to the OEFC with respect to current year earnings.

### Future Income Tax Assets and Liabilities

Payments in lieu of future income tax assets and liabilities arise from differences between the carrying amounts and tax bases of the corporation's assets and liabilities. The tax effects of these differences are as follows:

	<b>2013</b>	<b>2012</b>
	<u>\$</u>	<u>\$</u>
Future Income Tax Assets	<b><u>1,322,757</u></b>	<u>1,752,563</u>

### 17. SMART METER COMMITMENT

On July 16, 2004, the Minister of Energy asked the Ontario Energy Board (OEB) to develop an implementation plan to achieve the Government of Ontario's smart meter targets for electricity: 800,000 smart meters installed by December 31, 2007 and installation of smart meters for all Ontario customers by December 31, 2010. Smart meters will provide customers with consumption information that will allow them to manage their demand for electricity. This is expected to result in more efficient use of Ontario's existing supply of electricity and reduce reliance on external sources.



# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 17. SMART METER COMMITMENT (CONTINUED)

St .Thomas Energy Inc. has installed smart meters for all of its customers. The corporation received approval for inclusion of the smart meters in the rate base on December 13, 2012 with an effective date of January 1, 2013. The corporation has moved the smart meter costs from the regulator accounts to the capital accounts as at December 31, 2012 in preparation for the January 1 implementation date even though the official rate order was dated January 3, 2013 with an effective date of January 1.

### 18. CHANGES IN NON-CASH WORKING CAPITAL

Accounts receivable	(68,194)	(218,114)
Unbilled revenue	(697,533)	31,079
Prepaid expenses	329,797	389,324
Inventory	8,589	434,340
Accounts payables and accrued liabilities	402,405	322,213
Due to City of St. Thomas	59,231	102,910
Regulatory assets and liabilities	(479,631)	2,734,395
Payment in lieu of income taxes paid	89,157	(237,491)
Customer deposits	<u>19,625</u>	<u>(63,256)</u>
	<u>(336,554)</u>	<u>3,495,400</u>

### 19. CAPITAL DISCLOSURES

The corporation's objectives when managing capital are to safeguard the corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The corporation's capital is comprised of payable to related parties, common shares and retained earnings.

The corporation manages its capital and makes adjustments to it in light of economic conditions. The corporation will balance its overall capital structure through the payment of dividends, the repayment of debt or by undertaking other activities as deemed appropriate under specific circumstances.

The corporation's borrowing are undertaken through a banking facility in place for its parent corporation Ascent Group Inc. That facility is subject to a number of financial covenant restrictions typically associated with long-term debt, which are based on the consolidated financial results of Ascent Group Inc. As at December 31, 2013, Ascent Group Inc. is in compliance with all of its financial covenants and limitations.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2013

---

### 20. NEW ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

#### International Financial Reporting Standards

St. Thomas Energy Inc. is a rate regulated enterprise and as such is required to adopt International Financial Reporting Standards (IFRS). The Canadian Accounting Standards Board (AcSB) has permitted organizations with rate regulated activities (RRA) to defer their adoption of IFRS up until fiscal periods beginning on or after January 1, 2015.

As such, the corporation will apply IFRS to its financial statements ending December 31, 2015 with restatement of the amounts recorded on the opening IFRS balance sheet as at January 1, 2014, for comparative purposes. The corporation continues to assess the impact of conversion to IFRS on its results of operations. The effect on the corporation's future financial position and results of operations are not estimable at this time.

### 21. FINANCIAL INSTRUMENTS

As a rate-regulated entity, the nature of the corporation's operations are defined and restricted by regulation. Financial operations and risks are also substantially influenced by regulation, limiting the necessity to engage in risk mitigation strategies involving the use of derivatives or hedges, and the corporation did not engage in those activities during the year.

The corporation has adopted CICA Handbook Section 3861 - Financial Instruments for disclosure purposes as the Corporation's financial instruments are not subject to disclosure requirements under Section 3862 or 3863 of the CICA Handbook.

#### Credit risk

By regulation, the corporation is responsible for collecting both distribution and energy portions of the electricity bill. In general terms, the energy portion of the bill is four to five times larger than the distribution portion. Unless the retailer elects to bill the customer directly for the energy portion of the bill, the corporation is exposed to a credit risk substantially greater than their portion of the electricity bill.

Mitigation of substantial losses is provided through the opportunity to apply for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator.

The corporation does not have any significant exposure to any individual customer. The corporation may require payment guarantees, such as a letter of credit or customer deposits. Due to a large number of customers, the corporation does not believe that it is subject to any significant concentration of credit risk.

# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2013**

---

### **21. FINANCIAL INSTRUMENTS (CONTINUED)**

#### Fair value

The carrying value of accounts receivable, prepaids, and accounts payable approximate their fair values due to the near-term maturity of these instruments. The carrying value of amounts due to related parties may not approximate fair value as there are no specific terms of repayment.

#### Interest rate risk

The corporation is exposed to interest rate risk for certain of its financial assets and liabilities, including its term loan, promissory note and operating loan (Note 15 and 11). These borrowings may expose the corporation to fluctuations in short-term interest rates, borrowings in the form of prime rate loans in Canadian dollars, bankers' acceptances and letter of credit.

### **22. COMPARATIVE FIGURES**

Certain comparative figures presented in the financial statements have been reclassified to conform to the presentation adopted in the current year.

Inventory items considered to be major future components of property, plant and equipment have been recorded as a component of property, plant and equipment in the current year. These major spare parts are not amortized and are recorded at their net realizable value. As a result, the inventory and property, plant and equipment balances reported in the comparative year have been adjusted by \$555,501 to conform to the presentation adopted in the current year.

## Attachment 2 of 3

### 2012 Audited Financial Statements

**ST. THOMAS ENERGY INC.**

**Financial Statements**

**December 31, 2012**

# **ST. THOMAS ENERGY INC.**

## **Financial Statements**

**For the Year Ended December 31, 2012**

---

<b>Table of Contents</b>	<b>PAGE</b>
Independent Auditors' Report	1
Balance Sheet	2
Statement of Retained Earnings	3
Statement of Operations	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 21

## **INDEPENDENT AUDITORS' REPORT**

To the shareholder of **St. Thomas Energy Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **St. Thomas Energy Inc.**, which comprise the balance sheet as at December 31, 2012, and the statements of operations, retained earnings, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of **St. Thomas Energy Inc.** in accordance with Canadian generally accepted accounting principles.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the balance sheet of **St. Thomas Energy Inc.** as at December 31, 2012, and the statements of operations, retained earnings, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**St. Thomas, Ontario**

**March 27, 2013**

*Graham Scott Enns LLP*  
**CHARTERED ACCOUNTANTS**  
Licensed Public Accountants

# ST. THOMAS ENERGY INC.

## Balance Sheet As At December 31, 2012

	2012 \$	2011 \$
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	-	1,769,052
Income taxes recoverable (Note 19)	280,334	42,843
Accounts receivable (net of allowance -\$116,300: 2011 - \$97,000)	3,407,439	2,503,478
Unbilled revenue	3,148,848	3,179,927
Inventory	597,185	-
Due from related parties (Note 15)	55,819	-
Current portion of prepaid expenses (Note 4)	390,171	303,825
	<u>7,879,796</u>	<u>7,799,125</u>
<b>PROPERTY, PLANT &amp; EQUIPMENT (NOTE 6)</b>	<u>24,146,558</u>	<u>19,121,025</u>
<b>OTHER ASSETS</b>		
Prepaid expenses (Note 4)	578,959	905,361
Regulatory accounts (Note 5)	159,411	2,906,431
Future tax asset (Note 19)	1,752,563	1,451,000
	<u>2,490,933</u>	<u>5,262,792</u>
<b>TOTAL ASSETS</b>	<u>34,517,287</u>	<u>32,182,942</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (Note 10)	914,329	-
Accounts payable and accrued liabilities	4,466,969	3,541,705
Accrued dividend payable	-	250,000
Due to related parties (Note 15)	-	2,079,203
Current portion of long-term liabilities (Note 14)	873,594	398,900
Due to City of St. Thomas (Note 15)	2,063,300	-
	<u>8,318,192</u>	<u>6,269,808</u>
<b>TERM LOAN (NOTE 11)</b>	<u>3,500,000</u>	<u>3,500,000</u>
<b>NOTE PAYABLE TO CITY OF ST. THOMAS (NOTE 12)</b>	<u>7,714,426</u>	<u>7,714,426</u>
<b>REGULATORY ACCOUNTS (NOTE 5)</b>	<u>2,012,492</u>	<u>2,290,822</u>
<b>CUSTOMER DEPOSITS (NOTE 7)</b>	<u>200,097</u>	<u>113,751</u>
<b>EMPLOYEE RETIREMENT BENEFIT LIABILITIES (NOTE 8)</b>	<u>1,140,192</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>22,885,399</u>	<u>19,888,807</u>
<b><u>SHAREHOLDER'S EQUITY</u></b>		
<b>SHARE CAPITAL (NOTE 13)</b>	<u>7,714,426</u>	<u>7,714,426</u>
<b>RETAINED EARNINGS</b>	<u>3,917,462</u>	<u>4,579,709</u>
	<u>11,631,888</u>	<u>12,294,135</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>34,517,287</u>	<u>32,182,942</u>

See accompanying notes to the financial statements.



**ST. THOMAS ENERGY INC.**

**Statement of Retained Earnings  
For the Year Ended December 31, 2012**

---

	<b>2012</b>	<b>2011</b>
	<b><u>\$</u></b>	<b><u>\$</u></b>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>4,579,709</b>	4,432,582
Net income for the year	<b>173,814</b>	647,127
Related party transaction adjustment (Note 17)	<b><u>(586,061)</u></b>	<u>-</u>
	<b>4,167,462</b>	5,079,709
Dividends paid	<b><u>(250,000)</u></b>	<u>(500,000)</u>
<b>BALANCE, END OF YEAR</b>	<b><u>3,917,462</u></b>	<u>4,579,709</u>

---

See accompanying notes to the financial statements.

# ST. THOMAS ENERGY INC.

## Statement of Operations For the Year Ended December 31, 2012

	2012 \$	2011 \$
<b>REVENUES</b>		
Gross revenue	37,281,856	32,612,888
Flow-through costs	<u>(30,231,382)</u>	<u>(26,618,052)</u>
Net revenue from electrical distribution	7,050,474	5,994,836
Other service revenue	1,226,304	930,603
Late payment charges	118,049	122,874
Interest	83,112	71,371
Conservation and demand management	<u>21,498</u>	<u>126,002</u>
	<u>8,499,437</u>	<u>7,245,686</u>
<b>EXPENDITURES</b>		
Amortization	1,422,683	1,386,336
Salaries - Administration	1,978,954	1,030,321
- Directors	23,489	23,180
Meter reading, billing and collection	1,488,552	1,079,489
Operations and maintenance	1,307,803	1,189,518
Interest - long-term debt	876,208	836,342
- customer deposits and regulatory accounts	123,111	47,692
Office administration	736,966	461,585
Regulatory	184,110	193,220
Professional services and consulting	<u>66,466</u>	<u>49,405</u>
	8,208,342	6,297,088
<b>GAIN ON DISPOSAL OF EQUIPMENT</b>	<u>1,270</u>	<u>-</u>
<b>INCOME BEFORE PAYMENT IN LIEU OF TAXES</b>	292,365	948,598
<b>PROVISION FOR PAYMENT IN LIEU OF TAXES (NOTE 19)</b>	<u>118,551</u>	<u>301,471</u>
<b>NET INCOME FOR THE YEAR</b>	<u>173,814</u>	<u>647,127</u>

See accompanying notes to the financial statements.

**ST. THOMAS ENERGY INC.****Statement of Cash Flows  
For the Year Ended December 31, 2012**

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the year	173,814	647,127
Adjustments:		
Amortization of property, plant and equipment	1,422,683	1,386,335
Change in employment retirement benefit liabilities	21,407	-
Gain on disposal of equipment	(1,270)	-
Future income tax expense	<u>137,224</u>	<u>17,663</u>
	<u>1,753,858</u>	<u>2,051,125</u>
Changes in non-cash working capital (note 21)	<u>2,939,897</u>	<u>(665,852)</u>
Cash flow from operating activities	<u>4,693,755</u>	<u>1,385,273</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(5,326,731)	(1,759,990)
Proceeds on disposal of equipment	<u>1,270</u>	<u>-</u>
Cash flow used in investing activities	<u>(5,325,461)</u>	<u>(1,759,990)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in term debt	-	1,000,000
Increase (decrease) in due to Ascent Energy Services Inc.	(1,524,386)	946,099
Decrease in due from Ascent Group Inc.	40,523	11,579
Decrease (increase) in due from Ascent Solutions Inc.	(18,120)	-
Decrease in bank loan payable	(49,692)	-
Dividends paid	<u>(500,000)</u>	<u>(500,000)</u>
Cash flow (used in) from financing activities	<u>(2,051,675)</u>	<u>1,457,678</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,683,381)</b>	<b>1,082,961</b>
<b>CASH, BEGINNING OF YEAR</b>	<u><b>1,769,052</b></u>	<u><b>686,091</b></u>
<b>CASH (BANK INDEBTEDNESS), END OF YEAR</b>	<u><b>(914,329)</b></u>	<u><b>1,769,052</b></u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<u>792,636</u>	<u>884,034</u>
Income Taxes Paid	<u>218,818</u>	<u>238,150</u>

See accompanying notes to the financial statements.

# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2012**

---

### **1. BASIS OF ACCOUNTING**

These financial statements have been prepared in accordance with Part V of the CICA Handbook which is the accounting framework that the financial statements were prepared in the prior year.

St. Thomas Energy Inc. is a rate regulated enterprise and as such is required to adopt international Financial Reporting Standards (IFRS). The Canadian Accounting Standards Board (AcSB) has permitted rate-regulated entities to defer their IFRS implementation until January 1, 2015.

### **2. NATURE OF BUSINESS**

St. Thomas Energy Inc. (the Corporation) is incorporated under the Business Corporations Act (Ontario) on November 3, 2000 and is wholly owned by Ascent Group Inc.

The principal business of St. Thomas Energy Inc. is the transmission and distribution of electricity to customers within the St. Thomas area and the business is primarily regulated by the Ontario Energy Board (OEB).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In the opinion of management, the financial statements have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

#### Accounting Estimates

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from estimates, in particular including changes as a result of future decisions made by the OEB. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

In particular, the corporation uses estimates when accounting for certain items, including:

- Allowance for doubtful accounts
- Net realizable value of inventory
- Useful lives of tangible assets
- Unbilled revenue
- Regulatory accounts
- Future income taxes
- Revenues
- Employee benefit plans

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Cash and Cash Equivalents

The corporation's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the corporation cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

#### Water Accounts Receivable

Water and sewer accounts receivable are maintained by the corporation on behalf of the City of St. Thomas.

#### Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined at laid down cost using an average cost basis.

#### Revenue Recognition

Hydro power revenue is recorded based on OEB-approved distribution rates and is recognized as electricity is delivered to customers, on the basis of cyclical billings. Unbilled revenue is based on estimates of customer usage from the last meter reading to the end of the year. The purchase of hydro power is recorded in the month to which it relates. Other revenues, which include revenues from electricity distribution related services are recognized as the services are performed.

#### Financial Instruments

At inception, all financial instruments which meet the definition of a financial asset or financial liability are recorded at fair market value, unless fair value cannot be reliably determined. Gains and losses related to the measurement of financial instruments are reported in statement of operations. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the corporation. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties.

The following summarizes the accounting classification the corporation has elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	Held for trading
Due to related parties	Loans and receivables
Accounts receivable and unbilled revenue	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Customer deposits	Other financial liabilities
Term loan and notes payable	Other financial liabilities

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Regulatory Accounting

The distribution rates of the corporation are based on a revenue requirement that provides a regulated Maximum Allowable Return on Equity ("MARE") on the amount of the shareholder's equity supporting the business of the electricity distribution, which is also determined by regulation. The corporation files a rate application with the OEB annually. Rates are typically effective May 1 to April 30 of the following year. Accordingly, for the first four months of the year, distribution revenue is based on the rate approved from the previous year. Once every four years, the corporation files an Electricity Distribution Rate application ("EDR") where rates are rebased through a cost of service review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. A cost of service EDR application is based on a forecast of the amount of operating and capital expenses, debt and shareholder's equity required to support the corporation's business. An IRM application results in a formula based adjustment to distribution rates to increase distribution rates for annual change in the GDP IPI-FDD net of a productivity factor and a "Stretch Factor" determined by the relative efficiency of an electricity distributor.

The corporation's last cost of service EDR application was made in 2011 and approved on July 28th with rates effective July 1, 2011. Such decision provided for service distribution revenue requirement and rate base of \$6,210,464 and \$23,877,673 respectively. The above amount does not include provision for the investment of the corporation in the Smart Meter Initiative. The corporation was given approval December 19th with an effective date of January 3, 2013 for the Smart Meter Initiative rate base inclusion.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated corporation. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The corporation's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the corporation has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the corporation been unregulated. The corporation continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates.

If, at some future date, the corporation judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in that period that the assessment is made. Specific regulatory assets and liabilities are disclosed in Note 5.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On November 12, 2010, the OEB amended LDC licenses to include requirements for achieving certain CDM targets over a four year period commencing January 1, 2011. The corporation's CDM targets include a demand reduction target of 3.94 MW and a consumption reduction target of 14,920 MWh. LDCs must also comply with a new CDM Code of the OEB, which provides LDC requirements for the development and delivery of CDM Strategy to the OEB for the achievement of the LDC-specific CDM targets, annual accounting and reporting to the OEB, and eligibility criteria for performance incentive payments. The corporation has filed its CDM Strategy with the OEB.

#### Pension Agreements

The corporation makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on length of service and rates of pay.

#### Property, Plant & Equipment

Property, plant & equipment are stated at cost and are amortized on the straight-line basis over their estimated service lives. No amortization is provided for construction in progress.

Effective January 1, 2012, the corporation revised its estimates of useful lives of certain items of property, plant and equipment following a detailed review and analysis supported by external third-party evidence. These changes have been accounted for on a prospective basis in the financial statements effective January 1, 2012.

The amortization rates are as follows:

	<u>Life Years</u>	<u>Rate</u>
Buildings	60	1.7%
Distribution system	40 - 60	1.7% - 2.5%
Transformers	40	2.5%
Meters	15 - 30	3.3% - 6.7%
Substations	40 - 45	2.2% - 2.5%
Graphical information system	15	6.7%
Rolling stock	5 - 14	7.1% - 20.0%
Mobile substations	15	6.7%
Miscellaneous equipment	10	10.0%
Computer hardware and software	5 - 10	10.0% - 20.0%

When non-grouped capital assets are sold or otherwise disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss on disposition is recognized in earnings. Grouped capital assets are, by their nature not readily identifiable as individual assets. The related cost and accumulated amortization is therefore removed from the respective accounts at the end of their estimated useful life regardless of actual service life. Any proceeds on disposition are recognized in earnings in the year of disposition.

---

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Contributions to Property, Plant and Equipment

Contributions are received from developers and contractors for capital costs incurred by the corporation. These contributions are included as a reduction to the cost of the related property, plant or equipment when those assets are placed in service.

#### Corporate Income and Capital Taxes

Under the Electricity Act, 1998, St. Thomas Energy Inc. is required to make payments in lieu of corporate taxes to Ontario Electric Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

#### Current Income Taxes

The provision for current taxes and the assets and liabilities recognized for the current and prior periods are measured at the amounts receivable or payable from/to the OEFC.

#### Future Income Taxes

Future income taxes are provided for using the liability method and are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Future income tax liabilities are generally recognized on all taxable temporary differences and future tax assets are recognized to the extent that it is more likely than not that they be realized from taxable profits available against which deductible temporary differences can be utilized.

Future income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Future income taxes are charged or credited to the statement of operations.

The carrying amount of future income tax assets is reviewed at each balance sheet date and reduced to the extent that all or part of the future income tax assets have not met the "more likely than not" criterion. Previously unrecognized future income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more likely than not of being recovered from future taxable profits.

Effective January 1, 2009, the corporation adopted the changes to CICA Handbook Section 3465 - Income Taxes, which states that, as a rate regulated entity, future income tax assets will be returned to customers as they are recovered. As a result, all increases and decreases in future income tax assets are offset by a regulatory liability.

---



# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

<b>4. PREPAIDS</b>	<b>2012</b>	<b>2011</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>
Prepaid interest on Note Payable to City of St. Thomas (note 12)	<b>506,952</b>	679,789
Rate rebasing costs	<b>246,952</b>	370,428
Prepaid annual credit review fees (note 12)	<b>96,600</b>	129,720
Other	<u><b>118,626</b></u>	<u>29,249</u>
	<b>969,130</b>	1,209,186
Less: current portion	<u><b>(390,171)</b></u>	<u>(303,825)</u>
	<u><b>578,959</b></u>	<u>905,361</u>
 <b>5. REGULATORY ASSETS AND LIABILITIES</b>	 <b>2012</b>	 <b>2011</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>
Regulatory assets consist of the following:		
Smart meters (note 20)	-	2,839,452
Other regulator variance accounts	<u><b>159,411</b></u>	<u>66,979</u>
	<u><b>159,411</b></u>	<u>2,906,431</u>
Regulatory liabilities consist of the following:		
Retail settlement variance accounts prior to January 1, 2009	<b>312,137</b>	500,862
Retail settlement variance accounts for the 2009 calendar year	<b>(52,256)</b>	201,280
Retail settlement variance accounts for the 2010 calendar year	<b>333,010</b>	-
Retail settlement variances	<b>388,342</b>	291,717
Regulatory future income tax liability	<u><b>1,624,150</b></u>	<u>1,412,863</u>
	<b>2,605,383</b>	2,406,722
Less: current portion	<u><b>592,891</b></u>	<u>115,900</u>
	<u><b>2,012,492</b></u>	<u>2,290,822</u>

Retail settlement variances represent amounts accumulated since January 1, 2011. These variances are comprised of variances between amounts charged by the Independent Electricity Market Operator and amounts billed to customers plus variances from settlement and transmission charges. In the absence of the rate regulation, these costs (revenues) would be charged to the period incurred.

The OEB approved a Rate Order on March 29, 2010, effective May 1, 2010. This Order included, in part, costs related to smart meters and Group 1 Deferral and Variance Accounts up to December 31, 2008.

The OEB approved a Rate Order on July 28, 2011, effective July 1, 2011. This Order included, in part, costs related to Group 1 Deferral and Variance Accounts up to December 31, 2009.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

### 5. REGULATORY ASSETS AND LIABILITIES (CONTINUED)

The OEB approved a Rate Order on April 19, 2012, effective May 1, 2012. This Order included, in part, costs related to Group 1 Deferral and Variance Accounts up to December 31, 2010.

#### *Regulatory Future Income Tax Asset and Liability*

Future income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The corporation has recognized regulatory assets and liabilities which correspond to future income taxes that flow through the rate-making process. In the absence of rate regulated accounting, the corporation's provision for PILs would have been recognized using the liability method and there would be no regulatory accounts set up for taxes to be recovered through future rates.

### 6. PROPERTY, PLANT & EQUIPMENT

	Cost	Accumulated Amortization	2012	2011
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Land	181,826	-	<b>181,826</b>	180,921
Buildings	2,385,250	935,482	<b>1,449,768</b>	1,485,043
Distribution system	21,820,628	11,178,447	<b>10,642,181</b>	9,730,284
Transformers	7,938,372	4,634,445	<b>3,303,927</b>	4,259,782
Meters	5,244,511	2,067,406	<b>3,177,105</b>	922,381
Substations	8,046,011	4,328,061	<b>3,717,950</b>	2,380,616
Rolling stock	679,340	136,811	<b>542,529</b>	-
Mobile substations	200,000	13,333	<b>186,667</b>	-
Miscellaneous equipment	477,135	54,728	<b>422,407</b>	-
Computer hardware and software	670,895	175,271	<b>495,624</b>	11,897
Graphical information system	397,908	26,527	<b>371,381</b>	-
Construction in progress	<u>114,689</u>	<u>-</u>	<u><b>114,689</b></u>	<u>150,101</u>
	48,156,565	23,550,511	<b>24,606,054</b>	19,121,025
Related party transaction adjustment	<u>(586,061)</u>	<u>(126,565)</u>	<u><b>(459,496)</b></u>	<u>-</u>
	<u><b>47,570,504</b></u>	<u><b>23,423,946</b></u>	<u><b>24,146,558</b></u>	<u><b>19,121,025</b></u>

During the year the corporation acquired assets from a sister corporation. The transaction was completed using valuations from third party professionals to meet the requirements for regulated entities. Under Canadian generally accepted accounting principals this transaction is required to be recorded at the net book value of the sister corporation. The adjustments required as a result of this transaction are reconciled in the related party transaction adjustment account noted above.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

<b>7. CUSTOMER DEPOSITS</b>	<b>2012</b>	<b>2011</b>
	<u>\$</u>	<u>\$</u>
Customer deposits	333,495	396,751
Less: current portion	<u>133,398</u>	<u>283,000</u>
	<u>200,097</u>	<u>113,751</u>

### 8. EMPLOYEE RETIREMENT BENEFIT LIABILITIES

Employee future benefits are liabilities of the corporation to its employees for benefits provided to retirees until they reach 65 years of age as at December 31, 2012. The last actuarial review was completed as at December 31, 2011. The significant assumptions are as follows:

Consumer Price Index	2.00%
Discount rate	4.75%
Assumed salary increase per annum	3.30%
Healthcare cost increase	5.00% - 6.13%
Average retirement age	57 years

	<b>2012</b>	<b>2011</b>
	<u>\$</u>	<u>\$</u>
Balance transferred from related party reflecting movement of employees	1,213,561	-
Current service cost	37,004	-
Interest cost	57,742	-
Benefits paid for the year	<u>(73,359)</u>	<u>-</u>
Accrued benefit obligation, December 31	1,234,948	-
Less: current portion	<u>94,756</u>	<u>-</u>
	<u>1,140,192</u>	<u>-</u>

The amount contributed to OMERS for 2012 was \$175,020 (2011- \$-) for current services.

<b>9. BANK LOAN PAYABLE</b>	<b>2012</b>	<b>2011</b>
	<u>\$</u>	<u>\$</u>
Term note - Bank of Nova Scotia, repayable in blended monthly instalments of \$4,513, prime plus 1.6% due December 2013, specifically secured by a vehicle.	52,549	-
Less: current portion	<u>52,549</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Interest expense for the year on bank loan payable was \$3,476 (2011-\$- ).

---

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 10. BANK OF NOVA SCOTIA FACILITY

The corporation's banking facilities with the Bank of Nova Scotia are arranged through a credit facility for the corporation's sole shareholder, Ascent Group Inc., encompassing borrowing facilities for all its subsidiary corporations.

Under the facility, the corporation has access to the following available credit facilities:

- (1) Operating line of \$11,000,000, by way of lines of credit, bearing interest at bank prime plus 0.25% (3.25% at December 31, 2012) or by way of bankers acceptances;
- (2) 364 Revolving Term Facility of \$10,000,000, convertible to non-revolving 2 year term debt provided no event of default has occurred. Interest is payable at bank prime plus 0.55% per annum (3.55% at December 31, 2012) or can be fixed at market rates. In addition, the interest rate on debt of up to \$7,000,000 (cumulative) can be fixed by way of interest rate swap at market rates;
- (3) Equipment Financing Revolving Line with Scotia Leasing of \$500,000;
- (4) Standby Letter of Credit facility (available only for the Independent Electricity System Operator commitment from St. Thomas Energy Inc.) (see note 16).

The corporation has provided to the Bank of Nova Scotia a limited guarantee, not to exceed 25% of the corporation's equity, towards the above facilities, secured by a general security agreement over all present and future personal property with appropriate insurance coverage. As at December 31, 2012 the maximum guarantee for the corporation would be \$2,907,972.

As at December 31, 2012, the following amounts were drawn on the facilities by Ascent Group Inc. and its subsidiary corporations, for which the corporation has provided a limited guarantee:

Operating Line	\$ 6,577,925
Standby Letters of Credit	\$ -
Revolving Term Facility	\$ 9,869,425
Equipment Financing Facility	\$ -

### 11. TERM LOAN

	2012	2011
	<u>\$</u>	<u>\$</u>
364 Day Term Loan - Bank of Nova Scotia	<u>3,500,000</u>	<u>3,500,000</u>

The above amounts were borrowed under the 364 Day Revolving Term Facility (note 10), and bear interest at bank prime (3.00% as at December 31, 2012) plus 0.55% per annum with interest payable monthly.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 12. PROMISSORY NOTE PAYABLE TO CITY OF ST. THOMAS

	2012	2011
	<u>\$</u>	<u>\$</u>
Promissory note payable	<u>7,714,426</u>	<u>7,714,426</u>

The promissory note is payable to the City of St. Thomas, bears interest at 9% per annum, and is unsecured. Interest is payable monthly. The principal balance is due on the earlier of November 15, 2015 (the maturity date) and the date which is 366 days from a written demand from the City for repayment.

The corporation was required under the terms of the note to pre-pay interest equal to 2.25% per annum in respect of each year of the term of the note.

In 2012 St. Thomas Energy Inc. paid the City of St. Thomas \$520,724 of interest costs. Total interest expense related to the promissory note payable in 2012 was \$727,407 which consisted of prepaid interest and financing costs expensed of \$206,683 in addition to the \$520,724 paid to the City of St. Thomas. Interest expense related to the promissory note payable in 2011 was \$727,407.

### 13. SHARE CAPITAL

	2012	2011
	<u>\$</u>	<u>\$</u>
Authorized Capital:		
Unlimited common shares		
Issued Capital:		
1,001 Common shares	<u>7,714,426</u>	<u>7,714,426</u>

### 14. CURRENT PORTION OF LONG-TERM LIABILITIES

	2012	2011
	<u>\$</u>	<u>\$</u>
Current portion of regulatory accounts (Note 5)	592,891	115,900
Current portion of customer deposits (Note 7)	133,398	283,000
Current portion of employee retirement liabilities (Note 8)	94,756	-
Current portion of bank loan payable (Note 9)	<u>52,549</u>	<u>-</u>
	<u>873,594</u>	<u>398,900</u>

---

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 15. RELATED PARTY TRANSACTIONS

During the year, the corporation had business transactions with Ascent Energy Services Inc., Ascent Solutions Inc., Ascent Group Inc., and the City of St. Thomas.

The particulars of these transactions and balances owing from or to these corporations for the years ended December 31, were as follows:

	2012	2011
	<u>\$</u>	<u>\$</u>
Transactions during the year:		
Service revenue transactions during the year:		
Ascent Solutions Inc.	36,499	-
City of St. Thomas	306,065	-
Ascent Energy Services Inc.		
Purchase of capitalized items	-	2,031,855
Purchased services	208,188	5,201,947
Interest earned on intercompany loan	-	555
Building rental payments received	-	281,377
Ascent Group Inc.		
Management service fee	760,870	-
Interest paid on long-term debt	145,301	108,935
Dividends paid	250,000	500,000
City of St. Thomas		
Interest paid on long-term debt	520,724	520,724
Balances at end of year:		
Amounts due from Ascent Group Inc.	(29,385)	-
Amounts due to (from) Ascent Energy Services Inc.	(8,314)	2,079,203
Amounts due from Ascent Solutions Inc.	<u>(18,120)</u>	<u>-</u>
	<u>(55,819)</u>	<u>2,079,203</u>
Amounts due to the City of St. Thomas	<u>2,063,300</u>	<u>-</u>

### 16. COMMITMENTS

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if St. Thomas Energy Inc. fails to make a payment required by a default notice issued by the IMO. As at December 31, 2012, the Corporation provided prudential support of \$2,112,910.

---

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 17. TRANSFER OF ASSETS FROM RELATED PARTY

In January 2012, the corporation purchased certain assets from Ascent Energy Services Inc., a related party under common control of Ascent Group Inc. The assets were transferred at fair market value with the net liabilities assumed by St. Thomas Energy Inc. considered to be a reduction in the related party receivable. The excess of the fair market value over the net book value of the equipment transferred has been recorded in retained earnings. The carrying value of the assets and liabilities transferred were allocated as follows:

	<u>\$</u>
<b>ASSETS ACQUIRED</b>	
Accounts receivable	685,848
Inventory	476,023
Prepaid expenses	149,268
Property, plant and equipment	1,121,485
Due to Ascent Group Inc.	69,908
Future income taxes	<u>227,500</u>
	2,730,032
<b>LIABILITIES ASSUMED</b>	
Accounts payable and accrued liabilities	603,050
Employee future benefits	1,213,542
Long-term debt	102,241
Due from the City of St. Thomas	<u>1,960,390</u>
	<u>3,879,223</u>
<b>NET LIABILITIES ASSUMED</b>	(1,149,191)
<b>REDUCTION IN RELATED PARTY RECEIVABLE</b>	<u>563,130</u>
<b>EXCESS OF FAIR MARKET VALUE OF EQUIPMENT TRANSFERRED OVER NET BOOK VALUE</b>	<u>(586,061)</u>

### 18. CONTINGENT LIABILITIES

The corporation has made guarantees on the corporate group's lending facilities. See note 10.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

19. PROVISION FOR PAYMENT IN LIEU OF TAXES	2012	2011
	<u>\$</u>	<u>\$</u>
Income before provision for PIL's	292,365	948,598
Combined rate of federal and provincial income tax	<u>26.50%</u>	<u>28.25%</u>
Provision for PIL's at statutory rate	77,477	267,979
Increases resulting from:		
Changes in corporate tax rates	<u>41,074</u>	<u>33,492</u>
Total income tax provision for PILs	<u>118,551</u>	<u>301,471</u>
Current tax portion	(18,673)	283,808
Future tax portion	<u>137,224</u>	<u>17,663</u>
	<u>118,551</u>	<u>301,471</u>

The current income tax provision (recovery) for PILs represents the amount (recoverable) payable to the OEFC with respect to current year earnings.

### Future Income Tax Assets and Liabilities

Payments in lieu of future income tax assets and liabilities arise from differences between the carrying amounts and tax bases of the corporation's assets and liabilities. The tax effects of these differences are as follows:

	2012	2011
	<u>\$</u>	<u>\$</u>
Future Income Tax Assets	<u>1,752,563</u>	<u>1,451,000</u>

## 20. SMART METER COMMITMENT

On July 16, 2004, the Minister of Energy asked the Ontario Energy Board (OEB) to develop an implementation plan to achieve the Government of Ontario's smart meter targets for electricity: 800,000 smart meters installed by December 31, 2007 and installation of smart meters for all Ontario customers by December 31, 2010. Smart meters will provide customers with consumption information that will allow them to manage their demand for electricity. This is expected to result in more efficient use of Ontario's existing supply of electricity and reduce reliance on external sources.

St. Thomas Energy Inc. has installed smart meters for all of its customers. The corporation received approval for inclusion of the smart meters in the rate base on December 13, 2012 with an effective date of January 1, 2013. The corporation has moved the smart meter costs from the regulator accounts to the capital accounts as at December 31, 2012 in preparation for the January 1 implementation date even though the official rate order was dated January 3, 2013 with an effective date of January 1..



# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 21. CHANGES IN NON-CASH WORKING CAPITAL

Accounts receivable	(218,114)	(66,064)
Unbilled revenue	31,079	89,010
Prepaid expenses	389,324	(164,369)
Inventory	(121,162)	-
Accounts payables and accrued liabilities	322,213	240,811
Due to City of St. Thomas	102,910	-
Regulatory assets and liabilities	2,734,395	(526,457)
Payment in lieu of income taxes paid	(237,491)	45,658
Customer deposits	<u>(63,256)</u>	<u>(284,441)</u>
	<u>2,939,898</u>	<u>(665,852)</u>

### 22. CAPITAL DISCLOSURES

The corporation's objectives when managing capital are to safeguard the corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The corporation's capital is comprised of payable to related parties, common shares and retained earnings.

The corporation manages its capital and makes adjustments to it in light of economic conditions. The corporation will balance its overall capital structure through the payment of dividends, the repayment of debt or by undertaking other activities as deemed appropriate under specific circumstances.

The corporation's borrowing are undertaken through a banking facility in place for its parent corporation Ascent Group Inc. That facility is subject to a number of financial covenant restrictions typically associated with long-term debt, which are based on the consolidated financial results of Ascent Group Inc. As at December 31, 2012, Ascent Group Inc. is in compliance with all of its financial covenants and limitations.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2012

---

### 23. NEW ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

#### International Financial Reporting Standards

St. Thomas Energy Inc. is a rate regulated enterprise and as such is required to adopt International Financial Reporting Standards (IFRS). The Canadian Accounting Standards Board (AcSB) has permitted organizations with rate regulated activities (RRA) to defer their adoption of IFRS up until fiscal periods beginning on or after January 1, 2015.

As such, the corporation will apply IFRS to its financial statements ending December 31, 2014 with restatement of the amounts recorded on the opening IFRS balance sheet as at January 1, 2013, for comparative purposes. The corporation continues to assess the impact of conversion to IFRS on its results of operations. The effect on the corporation's future financial position and results of operations are not estimable at this time.

### 24. FINANCIAL INSTRUMENTS

As a rate-regulated entity, the nature of the corporation's operations are defined and restricted by regulation. Financial operations and risks are also substantially influenced by regulation, limiting the necessity to engage in risk mitigation strategies involving the use of derivatives or hedges, and the corporation did not engage in those activities during the year.

The corporation has adopted CICA Handbook Section 3861 - Financial Instruments for disclosure purposes as the Corporation's financial instruments are not subject to disclosure requirements under Section 3862 or 3863 of the CICA Handbook.

#### Credit risk

By regulation, the corporation is responsible for collecting both distribution and energy portions of the electricity bill. In general terms, the energy portion of the bill is four to five times larger than the distribution portion. Unless the retailer elects to bill the customer directly for the energy portion of the bill, the corporation is exposed to a credit risk substantially greater than their portion of the electricity bill.

Mitigation of substantial losses is provided through the opportunity to apply for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator.

The corporation does not have any significant exposure to any individual customer. The corporation may require payment guarantees, such as a letter of credit or customer deposits. Due to a large number of customers, the corporation does not believe that it is subject to any significant concentration of credit risk.

---

# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2012**

---

### **24. FINANCIAL INSTRUMENTS (CONTINUED)**

#### Fair value

The carrying value of accounts receivable, prepaids, and accounts payable approximate their fair values due to the near-term maturity of these instruments. The carrying value of amounts due to related parties may not approximate fair value as there are no specific terms of repayment.

#### Interest rate risk

The corporation is exposed to interest rate risk for certain of its financial assets and liabilities, including its term loan, promissory note and operating loan (Note 11 and 12). These borrowings may expose the corporation to fluctuations in short-term interest rates, borrowings in the form of prime rate loans in Canadian dollars, bankers' acceptances and letter of credit.

## Attachment 3 of 3

# Parent Company 2012 Financial Statements

**The Corporation of the  
City of St. Thomas  
Consolidated Financial Statements  
December 31, 2012**

# **THE CORPORATION OF THE CITY OF ST. THOMAS**

## **Consolidated Financial Statements**

**For the Year Ended December 31, 2012**

---

<b>Table of Contents</b>	<b>PAGE</b>
Independent Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Change in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 21
Consolidated Schedule of Segment Disclosure	22 - 23
Schedule of Segment Disclosure	24 - 26
Consolidated Schedule of Tangible Capital Assets	27 - 28

## **INDEPENDENT AUDITORS' REPORT**

To the Members of **The Corporation of the City of St. Thomas** :

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of **The Corporation of the City of St. Thomas**, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, and changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for public sector entities 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of **The Corporation of the City of St. Thomas** as at December 31, 2012, and the consolidated statements of operations, and changes in net financial assets for the year then ended in accordance with Canadian accounting standards for public sector entities.

St. Thomas, Ontario

May 21, 2013

*Graham Scott Enns LLP*  
**CHARTERED ACCOUNTANTS**  
Licensed Public Accountants

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Consolidated Statement of Financial Position As at December 31, 2012

---

	2012 \$	2011 \$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and short term deposits	60,956,006	51,892,127
Note receivable (Note 3)	7,714,426	7,714,426
Taxes receivable (Note 2)	1,229,728	1,743,945
Accounts receivable (Note 15)	8,396,737	9,995,800
Land held for resale	467,566	457,872
Investment in St. Thomas Holding Inc. (Note 10)	<u>12,427,014</u>	<u>15,317,700</u>
<b>Total financial assets</b>	<u>91,191,477</u>	<u>87,121,870</u>
<b>LIABILITIES</b>		
Deferred revenue (Note 12)	23,109,716	19,906,852
Accounts payable and accrued liabilities	10,237,075	13,349,278
Employee benefits payable (Note 8)	9,127,866	8,936,466
Net long-term liabilities (Note 6)	<u>20,559,271</u>	<u>18,658,823</u>
<b>Total financial liabilities</b>	<u>63,033,928</u>	<u>60,851,419</u>
<b>NET FINANCIAL ASSETS</b>	<u>28,157,549</u>	<u>26,270,451</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	303,590,650	299,901,927
Inventories of supplies	529,019	469,319
Prepaid expenses	<u>1,727,009</u>	<u>997,616</u>
<b>Total non-financial assets</b>	<u>305,846,678</u>	<u>301,368,862</u>
<b>ACCUMULATED SURPLUS (NOTE 7)</b>	<u>334,004,227</u>	<u>327,639,313</u>

---

The accompanying notes are an integral part of these financial statements



**THE CORPORATION OF THE CITY OF ST. THOMAS**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2012**

---

	Unaudited Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
<b>REVENUES</b>			
Property taxation	41,712,877	<b>41,215,364</b>	40,250,937
Taxation from other governments	152,790	<b>200,135</b>	203,158
User charges and other revenues	27,801,396	<b>28,096,523</b>	23,455,604
Government grants			
Federal	10,130,407	<b>1,895,722</b>	4,745,721
Provincial	33,776,579	<b>32,138,177</b>	34,008,739
Municipalities	3,263,177	<b>4,030,183</b>	4,315,693
Development charges earned	618,989	<b>618,989</b>	1,023,012
Investment income	924,329	<b>1,163,674</b>	903,332
Penalties and interest on taxes	650,000	<b>662,823</b>	748,906
Developer contributions of tangible capital assets	-	<b>8,459,999</b>	6,899,601
Ascent Group Inc. net income (loss)	<u>500,000</u>	<u><b>(2,640,686)</b></u>	<u>(926,430)</u>
Total Revenues	<u>119,530,544</u>	<u><b>115,840,903</b></u>	<u>115,628,273</u>
<b>EXPENSES</b>			
General government	4,552,643	<b>4,512,579</b>	4,485,717
Protection to persons and property	19,450,898	<b>19,582,086</b>	18,781,827
Transportation services	5,749,768	<b>10,190,560</b>	9,414,188
Environmental services	15,703,904	<b>20,165,683</b>	16,615,062
Health service	5,368,206	<b>5,501,080</b>	5,098,676
Social and family services	32,145,642	<b>32,234,193</b>	30,829,234
Social housing	10,062,763	<b>9,133,643</b>	9,933,959
Recreation and cultural services	5,580,442	<b>6,886,612</b>	6,648,079
Planning and development	<u>1,234,325</u>	<u><b>1,269,553</b></u>	<u>1,283,321</u>
Total Expenses (Note 16)	<u>99,848,591</u>	<u><b>109,475,989</b></u>	<u>103,090,063</u>
<b>ANNUAL SURPLUS</b>	<u>19,681,953</u>	<u><b>6,364,914</b></u>	<u>12,538,210</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<u><b>327,639,313</b></u>	<u>315,101,103</u>
<b>ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)</b>		<u><b>334,004,227</b></u>	<u>327,639,313</u>

---

The accompanying notes are an integral part of these financial statements.

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Consolidated Statement of Changes in Net Financial Assets For the Year Ended December 31, 2012

---

	2012 <u>\$</u>	2011 <u>\$</u>
<b>ANNUAL SURPLUS</b>	<b>6,364,914</b>	12,538,210
Amortization of tangible capital assets	<b>10,654,183</b>	9,869,753
Acquisition of tangible capital assets and assets under construction	<b>(6,469,648)</b>	(18,828,916)
Proceeds on disposal of tangible capital assets	-	12,500
Change in inventories of supplies and prepaid expenses	<b>(789,093)</b>	221,925
Loss on disposal of tangible capital assets	<b>586,741</b>	1,170,231
Developer contributions of tangible capital assets	<b><u>(8,459,999)</u></b>	<b><u>(6,899,601)</u></b>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>1,887,098</b>	(1,915,898)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b><u>26,270,451</u></b>	<b><u>28,186,349</u></b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b><u>28,157,549</u></b>	<b><u>26,270,451</u></b>

---

The accompanying notes are an integral part of these financial statements

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Consolidated Statement of Cash Flows For the Year Ended December 31, 2012

---

	2012 <u>\$</u>	2011 <u>\$</u>
<b>OPERATIONS</b>		
Annual Surplus	6,364,914	12,538,210
<b>Items not involving cash:</b>		
Amortization of tangible capital assets	10,654,183	9,869,753
Loss on disposal of tangible capital assets	586,741	1,170,231
Developer contributions of tangible capital assets	(8,459,999)	(6,899,601)
Change in employee benefits	191,400	94,655
Equity loss (income) from Ascent Group Inc.	<u>2,640,686</u>	<u>926,430</u>
	5,613,011	5,161,468
<b>Change in non-cash assets and liabilities</b> (Note 16[a])	<u>1,405,154</u>	<u>4,601,853</u>
Net change in cash from operations	<u>13,383,079</u>	<u>22,301,531</u>
<b>CAPITAL</b>		
Tangible capital asset and assets under construction additions	(6,469,648)	(18,828,916)
Proceeds on sale of tangible capital assets	<u>-</u>	<u>12,500</u>
Net change in cash from capital	<u>(6,469,648)</u>	<u>(18,816,416)</u>
<b>INVESTING</b>		
Dividends from Ascent Group Inc. (Note 10)	<u>250,000</u>	<u>500,000</u>
Net change in cash from investing	<u>250,000</u>	<u>500,000</u>
<b>FINANCING</b>		
Long-term debt principal repayment	<u>1,900,448</u>	<u>(1,657,093)</u>
Net change in cash from financing	<u>1,900,448</u>	<u>(1,657,093)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>9,063,879</b>	2,328,022
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<u>51,892,127</u>	<u>49,564,105</u>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>60,956,006</u>	<u>51,892,127</u>

---

The accompanying notes are an integral part of these financial statements

# **THE CORPORATION OF THE CITY OF ST. THOMAS**

## **Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012**

---

The City of St. Thomas is a municipality in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, the Municipal Affairs Act and related legislation.

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Corporation of the City of St. Thomas (the "City") are prepared by management in accordance with Canadian accounting standards for public sector entities. Significant aspects of the accounting policies adopted by the City are as follows:

#### **Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues, expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are 100% owned or controlled by the City.

#### **Consolidated Entities**

The following local boards are consolidated:

- The St. Thomas Public Library Board
- St. Thomas Economic Development Corporation
- Board of Management for the St. Thomas Downtown Improvement Area
- Elgin and St. Thomas Housing Corporation

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

#### **Proportionate Consolidation**

The Elgin-St. Thomas Health Unit, Elgin Area Primary Water Board and Elgin Area Secondary Water Board have been consolidated on a proportionate basis. The Elgin-St. Thomas Health Unit is proportionately consolidated based on the Municipalities share of contributions which amount to 41%. The Elgin Area Primary Water Board and Elgin Area Secondary Water Board are proportionately consolidated based upon the water flow used by our Municipality in proportion to the entire flows provided by the joint boards. This amounts to 30.92% and 53.57% respectively.

# **THE CORPORATION OF THE CITY OF ST. THOMAS**

## **Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012**

---

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Equity Accounting**

The investment in Ascent Group Inc. (a Government Business Enterprise) is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of Ascent Group Inc. in its consolidated statement of operations with corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from Ascent Group Inc. will be reflected as a reduction in the investment asset account.

#### **Accounting for School Board Transactions**

Although the City collects taxation on behalf of the School Boards, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these statements.

#### **Trust Funds**

Trust funds and their related operations administered by the City are not included in these consolidated financial statements.

#### **Basis of Accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

#### **Government Transfers**

Government transfers are recognized in the consolidated financial statements as revenues in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Canadian accounting standards for public sector entities and is recognized as revenue in the period in which the resources are used for the purpose specified.

In addition, the City periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from both senior levels of government as a result of an allocation of the gas tax funds.

# **THE CORPORATION OF THE CITY OF ST. THOMAS**

## **Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012**

---

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Deferred Revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work. In addition, certain user charges and fees which have been collected but for which the related services have yet to be performed. Revenue is recognized in the period when the related expense are incurred, services preformed.

#### **Investment Income**

Investment income is reported as revenue in the period earned. When required by funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

#### **Cash equivalents**

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

#### **Land Held for Resale**

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

#### **Employee benefit plans**

The City accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by the employees based on the length of service and pay rates. Employee benefits include post employment benefits. Post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains or losses that are related to these benefits are recognized immediately in the period they arise.

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

#### i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building and components	40 years
Vehicles	10 to 20 years
Machinery and equipment	5 to 10 years
Land improvements	10 to 50 years
Plants and facilities	20 to 75 years
Roads	5 to 30 years
Bridges and other structures	15 to 50 years
Underground and other networks	15 to 150 years

Annual amortization is charged in the year of acquisition based on a pro-rated calculation from the first day of the month following acquisition or in-service date and a similar pro-rated calculation of amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

#### iii) Leased tangible capital assets

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### v) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

#### vi) Interest capitalization

The City includes interest in the costs associated with the acquisition or construction of tangible capital assets if temporary third party debt is used for the related acquisition or construction.

### **Tax Revenues**

In 2012 the City received \$ 41,415,499 (2011 - \$40,454,095) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the Municipal Act 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual budget. City tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

Taxation revenues are recorded at the time billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment value rising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenue (e.g. uncollectible amounts, write-offs, etc.).

### **Use of Estimates**

The preparation of financial statements in conformity with Canadian accounting standards for public sector entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits.

In addition, the City's implementation of the Canadian accounting standards for public sector entities section 3150 has required management to make estimates of historical costs and useful lives of tangible capital assets.

Actual results could differ from these estimates.

---



# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

---

### 2. TAXES RECEIVABLE

Taxes receivable are reported net of allowance for doubtful accounts. Balances as at December 31 were as follows:

	<b>2012</b>	<b>2011</b>
	<b><u>\$</u></b>	<b><u>\$</u></b>
Taxes receivable	<b>2,750,726</b>	2,264,540
Penalties and interest	<b>529,753</b>	595,156
Allowance for doubtful accounts	<b><u>(2,050,751)</u></b>	<b><u>(1,115,751)</u></b>
	<b><u>1,229,728</u></b>	<b><u>1,743,945</u></b>

### 3. NOTE RECEIVABLE

The note arose on November 7, 2000 as a result of restructuring of the St. Thomas Public Utilities Commission under Bill 35. The note was renewed in November of 2010 for a five year term. The note is receivable from St. Thomas Energy Inc., with interest only payable semi-annual at a net rate of 6.75% and is due November 2015. In 2012 annual interest of \$520,724 was received on this loan (2011 - \$520,724).

### 4. TRUST FUNDS

Trust funds administered by the City amounting to \$352,020 (2011 - \$595,093) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the City for the benefit of others, they are not presented as part of the City's financial position or financial activities.

### 5. OPERATION OF SCHOOL BOARDS

During 2012 the amounts billed and remitted are summarized below:

	<b>2012</b>	<b>2011</b>
	<b><u>\$</u></b>	<b><u>\$</u></b>
Property taxation	<b>10,977,863</b>	11,726,821
Share of payments in lieu of taxes	<b><u>-</u></b>	<b><u>-</u></b>
Amounts requisitioned	<b><u>10,977,863</u></b>	<b><u>11,726,821</u></b>

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements.

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

### 6. NET LONG-TERM LIABILITIES

- a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	<b>2012</b>	2011
	<u>\$</u>	<u>\$</u>
Long-term liabilities incurred by the municipality and outstanding at the end of the year amount to	<b>15,502,265</b>	17,041,360
Long-term liabilities assumed by the city	<u><b>5,057,006</b></u>	<u>1,617,463</u>
Total long-term liabilities at the end of the year	<u><b>20,559,271</b></u>	<u>18,658,823</u>

Principal repayments are summarized as follows:

Recoverable From	2013	2014	2015	2016	2017	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
General taxation	1,608,269	1,680,565	1,345,257	819,516	858,989	9,189,669	15,502,265
User charges	<u>908,135</u>	<u>517,427</u>	<u>537,523</u>	<u>558,779</u>	<u>580,483</u>	<u>1,954,659</u>	<u>5,057,006</u>
	<u><b>2,516,404</b></u>	<u><b>2,197,992</b></u>	<u><b>1,882,780</b></u>	<u><b>1,378,295</b></u>	<u><b>1,439,472</b></u>	<u><b>11,144,328</b></u>	<u><b>20,559,271</b></u>

- b) All long-term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term liabilities issued after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing. Of the above non-assumed principal balances, \$4,079,965 is repayable in monthly instalments of \$81,606 bearing interest at 4.2% and the remaining \$14,434,329 is repayable in semi-annual instalments of \$663,602 bearing interest at 4.8%.

- c) Interest expense on long-term liabilities in 2012 amounted to \$866,839 (2011 - \$922,797).

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

### 7. ACCUMULATED SURPLUS

The accumulated surplus balance is comprised of current fund, capital fund, equity in government business enterprises, balances in reserves and discretionary reserve funds, unfunded liabilities to be recovered in the future and investment in tangible capital assets.

	2012	2011
	<u>\$</u>	<u>\$</u>
Operating fund		
General Operations	394,782	294,804
Sewer Operations	350,232	145,736
Water Operations	364,870	286,422
Elgin-St. Thomas Health Unit	13,990	45,650
Downtown Development Board (BIA)	<u>55,860</u>	<u>63,653</u>
	1,179,734	836,265
Invested in tangible capital assets	303,590,650	299,901,927
Capital fund	15,565,484	7,680,837
Equity in government business enterprise	20,141,440	23,032,126
Reserves	20,336,049	20,982,249
Reserve funds	<u>2,878,007</u>	<u>2,801,198</u>
	363,691,364	355,234,602
<b>UNFUNDED</b>		
Employee benefits payable	(9,127,866)	(8,936,466)
Net long-term debt	<u>(20,559,271)</u>	<u>(18,658,823)</u>
<b>ACCUMULATED SURPLUS</b>	<u><b>334,004,227</b></u>	<u><b>327,639,313</b></u>
<b>Reserves and reserve funds consist of the following:</b>		
Reserves set aside for specific purposes by Council:		
- for working capital and contingencies	4,758,704	4,136,069
- for human resource issues	1,249,508	1,281,066
- for social and family services	1,830,617	1,579,027
- for acquisition of tangible capital assets		
general operations	2,064,553	3,061,532
sewer operations	<u>10,432,667</u>	<u>10,924,555</u>
Total reserves	<u><b>20,336,049</b></u>	<u><b>20,982,249</b></u>
Reserve funds set aside for specific purposes by Council and Joint Boards:		
- general operations	1,332	26,332
- water operations	2,876,675	2,755,130
- for human resource issues	<u>-</u>	<u>19,736</u>
Total reserve funds	<u><b>2,878,007</b></u>	<u><b>2,801,198</b></u>

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

---

### 8. EMPLOYEE BENEFITS PAYABLE

Employee future benefits are liabilities of the City to its employees and early retirees for benefits earned but not taken as at December 31, 2012. Details are as follows:

		<b>2012</b>	<b>2011</b>
		<b><u>\$</u></b>	<b><u>\$</u></b>
Future payments required to WSIB	a)	<b>2,388,084</b>	2,405,594
Accumulated sick leave benefit plan entitlements	b)	<b>1,529,624</b>	1,534,098
Post employment and retirement benefits	c)	<b><u>5,210,158</u></b>	<u>4,996,774</u>
		<b><u>9,127,866</u></b>	<u>8,936,466</u>

#### a) Future payment required to WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board Act, the city has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. The actuarial report was updated in 2010.

The benefit obligation continuity is as follows:

	<b>2012</b>	<b>2011</b>
	<b><u>\$</u></b>	<b><u>\$</u></b>
Accrued benefit obligation, January 1	<b>2,516,847</b>	2,562,867
Expense	<b>291,474</b>	287,587
Payment	<b><u>(331,703)</u></b>	<u>(333,607)</u>
Actual accrued benefit obligation	<b>2,476,618</b>	2,516,847
Less: unamortized actuarial gains and loss (straight-line, ten years)	<b><u>(88,534)</u></b>	<u>(111,253)</u>
Accrued benefit obligation, December 31	<b><u>2,388,084</u></b>	<u>2,405,594</u>

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

---

### 8. EMPLOYEE BENEFITS PAYABLE (CONTINUED)

#### b) Liability for vested sick leave benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, death or retirement, amounted to \$1,529,624 (2011 - \$1,534,098) at the end of the year. An amount of \$194,347 (2011 - \$180,318) was paid to employees who left the City's employment during the current year. An actuarial gain of \$592,719 was determined for the sick leave liability in the 2010 review and is being amortized over 14 years.

#### c) Post employment and retirement benefits

The City provides certain employee medical and life insurance benefits on behalf of its retired and current employees.

Significant assumptions are as follows:

General Inflation	2.0%
Discount rate	5.0%
Rate of compensation increase	3.0%
Healthcare cost increase	4.0% - 7.333%
Dental cost increase	4.0%

The benefit obligation continuity is as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, January 1	4,996,774	4,839,567
Expense	487,573	462,715
Payment	(274,189)	(305,508)
Unfunded benefit obligation, December 31	5,210,158	4,996,774

### 9. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of approximately 414 members of its staff. The Plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2012 was \$2,845,230 (2011 - \$2,479,507).

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

---

### 10. INVESTMENT IN ASCENT GROUP INC.

The City owns 100% of Ascent Group Inc. (formerly St. Thomas Holding Inc.) which in turn owns 100% of St. Thomas Energy Inc., Ascent Energy Services Inc., 2154310 Ontario Inc., Ascent Solutions Inc. and Ascent Renewables Inc. As business enterprises of the City, they are accounted for on a Modified Equity basis in these financial statements. The Corporations are involved in the electricity distribution for the city's residents, sub-station construction/maintenance and transformer sales. The following table provides condensed supplementary financial information for the City for the year ended December 31:

	2012	2011
	\$	\$
<b>Financial Position:</b>		
Current assets	19,642,125	26,778,840
Capital assets	28,833,742	24,673,687
Deferred charges and other assets	<u>4,606,874</u>	<u>8,130,316</u>
Total assets	<u>53,082,741</u>	<u>59,582,843</u>
Current liabilities	18,332,889	21,587,180
Other long-term liabilities	<u>22,322,838</u>	<u>22,677,963</u>
Total Liabilities	<u>40,655,727</u>	<u>44,265,143</u>
Net Assets	<u>12,427,014</u>	<u>15,317,700</u>
<b>Results of operations:</b>		
Revenues	61,770,355	77,589,877
Operating expenses	<u>64,411,041</u>	<u>78,516,307</u>
Net income (loss)	<u>(2,640,686)</u>	<u>(926,430)</u>

Total dividends received in the year from Ascent Group Inc. was \$250,000 (2011 - \$500,000).

### 11. SOCIAL HOUSING ADMINISTRATION

On July 26, 2002 the Ministry of Municipal Affairs and Housing issued a letter of direction for the treatment of the debentures relating to the properties transferred to the Local Housing Corporations on January 1, 2001. As these debentures were unsecured and could not be transferred by the Province to the Local Housing Corporation or the Service Manager, the Ministry's position is not to treat these debentures as a liability of the Local Housing Corporation. Further, the Ministry will fund these debenture payments from Federal social housing funds. The outstanding debentures related to the housing corporation will continue to be disclosed in the notes to the financial statements as well as any debenture payments made on behalf of the corporation by the Ministry. As at December 31, 2012 the outstanding debentures totalled \$3,297,916 (2011 - \$3,486,939) and \$514,190 in Ministry funding was applied to the debenture payment of \$514,190 paid in the year.

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

### 12. DEFERRED REVENUE

A requirement of the Canadian accounting standards for public sector entities is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the City are summarized below:

	2012	2011
	\$	\$
Development Charges	13,241,570	12,117,609
Parkland	7,035	310
Parking	637	629
Federal and Provincial gas taxes	8,817,042	6,864,826
Other	1,043,432	923,478
	<u>23,109,716</u>	<u>19,906,852</u>

### 13. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2012	2011
	\$	\$
<b>General</b>		
Land	12,582,385	12,262,911
Buildings	41,617,910	40,674,098
Vehicles	3,590,805	3,965,517
Machinery and equipment	883,326	941,962
Land improvements	5,822,400	6,018,268
<b>Infrastructure</b>		
Plants and facilities	9,772,779	9,797,963
Roads	31,363,784	31,397,430
Underground and other networks	181,686,146	172,602,905
Machinery and equipment	<u>6,152,214</u>	<u>6,206,462</u>
	293,471,749	283,867,516
Assets under construction	<u>10,118,901</u>	<u>16,034,411</u>
	<u>303,590,650</u>	<u>299,901,927</u>

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

During the year there were no write-downs of assets (2011 - \$nil). In addition, roads and underground networks contributed to the City totalled \$8,459,999 (2011 - \$6,899,601) and were capitalized at their fair value at the time of receipt.

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

---

### 14. CONTINGENT LIABILITIES

As at December 31, 2012 certain legal actions are pending against the City. An estimate of any contingency cannot be made since the outcome of these matters is indeterminate at this time.

### 15. RELATED PARTY TRANSACTIONS

During the year, the City had business transactions with Ascent Services Inc. (the City's subsidiary). The City has contracted Ascent Services Inc. to provide billing and collection services for water and sewer user charges.

The particulars of these transactions and balances owing to the City for the years ended December 31, was as follows:

	2012	2011
	<u>\$</u>	<u>\$</u>
Transactions during the year:		
Purchase of services	<u><b>508,705</b></u>	<u><b>590,738</b></u>
Balances at end of year:		
Amounts due from Ascent Services Inc.	<u><b>2,063,300</b></u>	<u><b>1,960,390</b></u>

The above amount is included in accounts receivable on the balance sheet. In addition to the above transactions the City received interest payments totaling \$520,724 (2011 - 520,724) from Ascent Services Inc. on its note receivable as disclosed in Note 3.



# THE CORPORATION OF THE CITY OF ST. THOMAS

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012

---

### 16. SUPPLEMENTARY INFORMATION:

#### [a] Changes in non-cash assets and liabilities:

	2012	2011
	\$	\$
Taxes receivable	514,217	146,659
Accounts receivable	1,599,063	(1,440,374)
Land held for resale	(9,694)	(8,557)
Prepaid expenses and inventories of supplies	(789,093)	221,925
Accounts payable and accrued liabilities	(3,112,203)	3,740,578
Deferred revenue - obligatory reserve funds	<u>3,202,864</u>	<u>1,941,622</u>
	<u>1,405,154</u>	<u>4,601,853</u>

#### [b] Supplementary cash flow information:

Cash interest received	<u>1,163,674</u>	<u>903,332</u>
Cash interest paid	<u>866,839</u>	<u>922,797</u>

#### [c] Current fund expenditures by object:

Salaries, wages and employees benefits	42,697,735	40,662,358
Long-term debt interest expense	866,839	922,797
Materials	16,244,573	11,041,397
Contracted services	18,571,453	20,922,600
Rents and financial expenses	216,064	359,715
Amortization	10,654,183	9,869,753
Loss on disposal of tangible capital assets	586,741	1,170,231
External transfers	<u>19,638,401</u>	<u>18,141,212</u>
	<u>109,475,989</u>	<u>103,090,063</u>

# **THE CORPORATION OF THE CITY OF ST. THOMAS**

## **Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012**

---

### **17. SEGMENTED INFORMATION**

The City is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, public transit, and water. For management reporting purposes the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provided, are as follows.

#### **Protection**

Protection is comprised of the Police Services Board and Fire department. The mandate of the Police Services Board is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires.

#### **Community Services**

The Parks and Recreation department provides public services that contribute to neighbourhood development and sustainability through the provision of parks, recreation and leisure services such as fitness and aquatic programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention and protection.

The Library Services Board contributes to the information needs of the City's citizens through the provision of library services.

#### **Planning, By-Law Enforcement and Economic Development**

The Planning, Property and Development department provides a diverse bundle of services. It manages urban development for business interest, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development, and parks planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development through its Economic Development Corporation.

#### **Public Works**

The Environmental Services department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parking and open space, public transit and street lighting.

# **THE CORPORATION OF THE CITY OF ST. THOMAS**

## **Notes to the Consolidated Financial Statements For the Year Ended December 31, 2012**

---

### **17. SEGMENTED INFORMATION (CONTINUED)**

#### **The Water and Wastewater Funds**

Water, stormwater and wastewater disposal is provided by the Environmental Services Department. The department provides drinking water to citizens of St. Thomas, as well as, collection and treatment of stormwater and wastewater.

#### **Social and Family Services**

The Ontario Works department provides a number of community programs including income maintenance, employment, childcare and social housing services. Assistance to aged persons is provided by the Valleyview Residence.

#### **Finance and Administration**

This segment includes a number of support functions that are responsible for maintenance of City Hall, the Clerk's department, Treasury Department and Human Resources Department.

#### **Other funds and Corporation**

This segment includes the remaining departments and activities of the Corporation. Some of the larger activities in this segment include the Airport Operations, Public Health Services, Emergency Services, Ambulance Services, Conservation authorities, Mayor and Council and Solid Waste collection and disposal.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure and Schedule of Segment Disclosure.

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Consolidated Schedule of Segment Disclosure - Operating Revenues and Expenses For the Year Ended December 31, 2012

	Ascent Group Inc. \$	Social & Family Services \$	Planning \$	Public Works \$	Finance & Administration \$	Protection \$	Water and Waste Funds \$	Community Services \$	Other Funds & Corporation \$	Consolidated \$
<b>REVENUES</b>										
Taxation	-	6,494,469	1,489,958	3,977,687	2,265,903	17,210,184	-	4,363,137	5,614,160	41,415,498
Sales of services and regulatory fees	-	4,773,712	846,001	482,277	821,585	613,217	16,790,651	1,306,883	3,513,576	29,147,902
Government transfers	-	29,488,672	207,652	642,278	182,135	34,835	1,708,972	115,651	2,841,366	35,221,561
Other	(2,640,686)	50,000	4,050	1,547,643	1,014,582	1,936	7,348,795	540,918	1,569,715	9,436,953
Development charges earned	-	-	-	74,089	-	103,947	7,894	433,059	-	618,989
	<u>(2,640,686)</u>	<u>40,806,853</u>	<u>2,547,661</u>	<u>6,723,974</u>	<u>4,284,205</u>	<u>17,964,119</u>	<u>25,856,312</u>	<u>6,759,648</u>	<u>13,538,817</u>	<u>115,840,903</u>
<b>EXPENSES</b>										
Salaries, wages and employees benefits	-	11,489,120	1,371,540	1,969,355	2,506,286	16,719,878	2,460,756	3,709,091	2,471,709	42,697,735
Long-term debt interest expense	-	632,096	-	-	-	-	115,621	119,122	-	866,839
Materials	-	2,078,844	306,693	2,410,931	135,642	850,820	8,133,126	1,346,359	982,158	16,244,573
Contracted services	-	9,523,491	486,929	1,983,271	1,324,378	414,395	1,403,971	541,626	2,893,392	18,571,453
Rents, financial and other transfers	-	16,959,081	251,269	-	98,014	-	37,396	102,587	2,992,859	20,441,206
Amortization	-	685,225	-	3,167,680	27,495	253,383	5,452,574	1,067,826	-	10,654,183
	<u>-</u>	<u>41,367,857</u>	<u>2,416,431</u>	<u>9,531,237</u>	<u>4,091,815</u>	<u>18,238,476</u>	<u>17,603,444</u>	<u>6,886,611</u>	<u>9,340,118</u>	<u>109,475,989</u>
<b>NET REVENUE BEFORE</b>										
<b>FINANCING AND TRANSFERS</b>	<u>(2,640,686)</u>	<u>(561,004)</u>	<u>131,230</u>	<u>(2,807,263)</u>	<u>192,390</u>	<u>(274,357)</u>	<u>8,252,868</u>	<u>(126,963)</u>	<u>4,198,699</u>	<u>6,364,914</u>

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Consolidated Schedule of Segment Disclosure - Operating Revenues and Expenses For the Year Ended December 31, 2011

	Ascent Group Inc.	Social & Family Services	Planning	Public Works	Finance & Administration	Protection	Water and Waste Funds	Community Services	Other Funds & Corporation	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>										
Taxation	-	4,999,137	1,021,840	5,591,687	2,674,221	16,292,895	-	4,487,937	5,386,378	40,454,095
Sales of services and regulatory fees	-	4,537,026	652,224	452,561	327,227	537,934	13,344,996	1,154,093	2,449,543	23,455,604
Government transfers	-	29,986,113	154,416	1,534,839	33,722	18,699	5,253,164	592,724	5,496,476	43,070,153
Other	(926,430)	-	-	956,515	-	96	5,943,085	-	1,652,239	7,625,505
Development charges earned	-	-	-	386,210	-	103,947	148,903	383,856	-	1,022,916
	<u>(926,430)</u>	<u>39,522,276</u>	<u>1,828,480</u>	<u>8,921,812</u>	<u>3,035,170</u>	<u>16,953,571</u>	<u>24,690,148</u>	<u>6,618,610</u>	<u>14,984,636</u>	<u>115,628,273</u>
<b>EXPENSES</b>										
Salaries, wages and employees benefits	-	10,688,494	1,082,882	1,863,425	2,267,764	15,794,465	2,424,561	3,647,236	2,893,531	40,662,358
Long-term debt interest expense	-	664,039	-	-	-	-	104,647	154,111	-	922,797
Materials	-	1,473,291	409,080	1,582,948	137,879	1,184,261	4,535,112	1,637,608	81,218	11,041,397
Contracted services	-	10,160,433	425,407	2,734,614	419,228	446,290	1,425,857	550,373	4,760,398	20,922,600
Rents, financial and other transfers	-	16,757,056	-	-	75,000	-	393,457	-	2,445,645	19,671,158
Amortization	-	744,593	-	3,084,165	10,500	209,021	5,053,910	749,945	17,619	9,869,753
	<u>-</u>	<u>40,487,906</u>	<u>1,917,369</u>	<u>9,265,152</u>	<u>2,910,371</u>	<u>17,634,037</u>	<u>13,937,544</u>	<u>6,739,273</u>	<u>10,198,411</u>	<u>103,090,063</u>
<b>NET REVENUE BEFORE</b>										
<b>FINANCING AND TRANSFERS</b>	<u>(926,430)</u>	<u>(965,630)</u>	<u>(88,889)</u>	<u>(343,340)</u>	<u>124,799</u>	<u>(680,466)</u>	<u>10,752,604</u>	<u>(120,663)</u>	<u>4,786,225</u>	<u>12,538,210</u>

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Schedule of Segment Disclosure- Operating Revenues and Expenses For the Year Ended December 31, 2012

	Actual 2012 \$	Actual 2011 \$
<b>PROTECTION</b>		
<b>Revenue</b>		
Taxation	17,210,184	16,292,895
Sales of services and regulatory fees	613,217	537,934
Government transfers	34,835	18,699
Other	1,936	96
Development charges earned	<u>103,947</u>	<u>103,947</u>
Total Revenues	<u>17,964,119</u>	<u>16,953,571</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	16,719,878	15,794,465
Materials	850,820	1,184,261
Contracted services	414,395	446,290
Amortization	<u>253,383</u>	<u>209,021</u>
Total Expenditures	<u>18,238,476</u>	<u>17,634,037</u>
<b>Net Surplus (Deficit)</b>	<u>(274,357)</u>	<u>(680,466)</u>
<b>COMMUNITY SERVICES</b>		
<b>Revenue</b>		
Taxation	4,363,137	4,487,937
Sales of services and regulatory fees	1,306,883	1,154,093
Government transfers	115,651	592,724
Other	540,918	-
Development charges earned	<u>433,059</u>	<u>383,856</u>
Total Revenues	<u>6,759,648</u>	<u>6,618,610</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	3,709,091	3,647,236
Long-term debt interest expense	119,122	154,111
Materials	1,346,359	1,637,608
Contracted services	541,626	550,373
Rents and financial expenses	6,587	-
Transfer to others	96,000	-
Amortization	<u>1,067,826</u>	<u>749,945</u>
Total Expenditures	<u>6,886,611</u>	<u>6,739,273</u>
<b>Net Surplus (Deficit)</b>	<u>(126,963)</u>	<u>(120,663)</u>

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Schedule of Segment Disclosure- Operating Revenues and Expenses For the Year Ended December 31, 2012

	Actual 2012 <u>\$</u>	Actual 2011 <u>\$</u>
<b>PLANNING</b>		
<b>Revenue</b>		
Taxation	1,489,958	1,021,840
Sales of services and regulatory fees	846,001	652,224
Government transfers	207,652	154,416
Other	<u>4,050</u>	<u>-</u>
Total Revenues	<u>2,547,661</u>	<u>1,828,480</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	1,371,540	1,082,882
Materials	306,693	409,080
Contracted services	486,929	425,407
Rents and financial expenses	14,657	-
Transfer to others	<u>236,612</u>	<u>-</u>
Total Expenditures	<u>2,416,431</u>	<u>1,917,369</u>
<b>Net Surplus (Deficit)</b>	<u>131,230</u>	<u>(88,889)</u>
 <b>PUBLIC WORKS</b>		
<b>Revenue</b>		
Taxation	3,977,687	5,591,687
Sales of services and regulatory fees	482,277	452,561
Government transfers	642,278	1,534,839
Other	1,547,643	956,515
Development charges earned	<u>74,089</u>	<u>386,210</u>
Total Revenues	<u>6,723,974</u>	<u>8,921,812</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	1,969,355	1,863,425
Materials	2,410,931	1,582,948
Contracted services	1,983,271	2,734,614
Amortization	<u>3,167,680</u>	<u>3,084,165</u>
Total Expenditures	<u>9,531,237</u>	<u>9,265,152</u>
<b>Net Surplus (Deficit)</b>	<u>(2,807,263)</u>	<u>(343,340)</u>

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Schedule of Segment Disclosure- Operating Revenues and Expenses For the Year Ended December 31, 2012

	Actual 2012 <u>\$</u>	Actual 2011 <u>\$</u>
<b>FINANCE AND ADMINISTRATION</b>		
<b>Revenue</b>		
Taxation	2,265,903	2,674,221
Sales of services and regulatory fees	821,585	327,227
Government transfers	182,135	33,722
Other	<u>1,014,582</u>	<u>-</u>
Total Revenues	<u>4,284,205</u>	<u>3,035,170</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	2,506,286	2,267,764
Materials	135,642	137,879
Contracted services	1,324,378	419,228
Rents and financial expenses	- 98,014	-
Transfer to others	-	75,000
Amortization	<u>27,495</u>	<u>10,500</u>
Total Expenditures	<u>4,091,815</u>	<u>2,910,371</u>
<b>Net Surplus (Deficit)</b>	<u>192,390</u>	<u>124,799</u>
 <b>SOCIAL AND FAMILY SERVICES</b>		
<b>Revenue</b>		
Taxation	6,494,469	4,999,137
Sales of services and regulatory fees	4,773,712	4,537,026
Government transfers	29,488,672	29,986,113
Other	<u>50,000</u>	<u>-</u>
Total Revenues	<u>40,806,853</u>	<u>39,522,276</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	11,489,120	10,688,494
Long-term debt interest expense	632,096	664,039
Materials	2,078,844	1,473,291
Contracted services	9,523,491	10,160,433
Transfer to others	16,959,081	16,757,056
Amortization	<u>685,225</u>	<u>744,593</u>
Total Expenditures	<u>41,367,857</u>	<u>40,487,906</u>
<b>Net Surplus (Deficit)</b>	<u>(561,004)</u>	<u>(965,630)</u>



# THE CORPORATION OF THE CITY OF ST. THOMAS

## Consolidated Schedule of Tangible Capital Assets For the Year Ended December 31, 2012

ASSET TYPE	Opening Historical Cost Balance Jan 1/2012	2012 Acquisitions	2012 Disposals	2012 Write-Offs	Ending Historical Cost Balance Dec 31/2012	Opening Accumulated Amortization Balance Jan 1/2012	2012 Disposals	2012 Amortization	2012 Write-Offs	Ending Accumulated Amortization Balance Dec 31/2012	Ending Net Book Value Dec 31/2012
<b><u>Infrastructure Related</u></b>											
Land	392,592	-	-	-	392,592	-	-	-	-	-	<b>392,592</b>
Buildings/Building Improvements	91,577,983	1,033,779	-	-	92,611,762	82,172,612	-	1,058,963	-	83,231,575	<b>9,380,187</b>
Machinery and Equipment	9,670,095	752,997	(158,379)	-	10,264,713	3,463,633	(122,481)	771,347	-	4,112,499	<b>6,152,214</b>
Linear - Roadways	71,450,653	2,689,487	(305,539)	-	73,834,601	40,053,223	(77,547)	2,495,141	-	42,470,817	<b>31,363,784</b>
Linear - Sewer and Water Services	<u>237,225,275</u>	<u>13,176,360</u>	<u>(40,837)</u>	<u>-</u>	<u>250,360,798</u>	<u>64,622,370</u>	<u>(40,837)</u>	<u>4,093,119</u>	<u>-</u>	<u>68,674,652</u>	<u><b>181,686,146</b></u>
<b>Infrastructure Related Total</b>	<b><u>410,316,598</u></b>	<b><u>17,652,623</u></b>	<b><u>(504,755)</u></b>	<b><u>-</u></b>	<b><u>427,464,466</u></b>	<b><u>190,311,838</u></b>	<b><u>(240,865)</u></b>	<b><u>8,418,570</u></b>	<b><u>-</u></b>	<b><u>198,489,543</u></b>	<b><u>228,974,923</u></b>
<b><u>General</u></b>											
Land	12,262,911	335,775	(16,301)	-	12,582,385	-	-	-	-	-	<b>12,582,385</b>
Land Improvements	21,444,375	375,028	-	-	21,819,403	15,426,107	-	570,896	-	15,997,003	<b>5,822,400</b>
Building/Building Improvements	54,657,485	2,212,431	(876,111)	-	55,993,805	13,983,387	(800,558)	1,193,066	-	14,375,895	<b>41,617,910</b>
Machinery and Equipment	1,471,483	11,848	(57,689)	-	1,425,642	529,521	(57,689)	70,484	-	542,316	<b>883,326</b>
Vehicle	<u>6,603,734</u>	<u>257,452</u>	<u>(293,880)</u>	<u>-</u>	<u>6,567,306</u>	<u>2,638,217</u>	<u>(62,883)</u>	<u>401,167</u>	<u>-</u>	<u>2,976,501</u>	<u><b>3,590,805</b></u>
<b>General Total</b>	<b><u>96,439,988</u></b>	<b><u>3,192,534</u></b>	<b><u>(1,243,981)</u></b>	<b><u>-</u></b>	<b><u>98,388,541</u></b>	<b><u>32,577,232</u></b>	<b><u>(921,130)</u></b>	<b><u>2,235,613</u></b>	<b><u>-</u></b>	<b><u>33,891,715</u></b>	<b><u>64,496,826</u></b>
<b>Total Capital Assets Sub-Total</b>	<b><u>506,756,586</u></b>	<b><u>20,845,157</u></b>	<b><u>(1,748,736)</u></b>	<b><u>-</u></b>	<b><u>525,853,007</u></b>	<b><u>222,889,070</u></b>	<b><u>(1,161,995)</u></b>	<b><u>10,654,183</u></b>	<b><u>-</u></b>	<b><u>232,381,258</u></b>	<b><u>293,471,749</u></b>
Work In Progress	<u>16,034,411</u>	<u>954,535</u>	<u>(6,870,045)</u>	<u>-</u>	<u>10,118,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>10,118,901</u></b>
<b>Total Tangible Capital Assets</b>	<b><u>522,790,997</u></b>	<b><u>21,799,692</u></b>	<b><u>(8,618,781)</u></b>	<b><u>-</u></b>	<b><u>535,971,908</u></b>	<b><u>222,889,070</u></b>	<b><u>(1,161,995)</u></b>	<b><u>10,654,183</u></b>	<b><u>-</u></b>	<b><u>232,381,258</u></b>	<b><u>303,590,650</u></b>

# THE CORPORATION OF THE CITY OF ST. THOMAS

## Consolidated Schedule of Tangible Capital Assets For the year ended December 31, 2011

ASSET TYPE	Opening Historical Cost Balance Jan 1/2011	2011 Acquisitions	2011 Disposals	2011 Write-Offs	Ending Historical Cost Balance Dec 31/2011	Opening Accumulated Amortization Balance Jan 1/2011	2011 Disposals	2011 Amortization	2011 Write-Offs	Ending Accumulated Amortization Balance Dec 31/2011	Ending Net Book Value Dec 31/2011
<b><u>Infrastructure Related</u></b>											
Land	392,592	-	-	-	392,592	-	-	-	-	-	392,592
Buildings/Building Improvements	91,293,113	566,562	(281,692)	-	91,577,983	81,597,207	(281,692)	857,097	-	82,172,612	9,405,371
Machinery and Equipment	7,306,288	2,253,139	110,668	-	9,670,095	2,673,765	147,708	642,160	-	3,463,633	6,206,462
Linear - Roadways	66,097,418	5,850,781	(497,546)	-	71,450,653	37,766,601	(132,013)	2,418,635	-	40,053,223	31,397,430
Linear - Sewer and Water Services	<u>229,810,214</u>	<u>8,549,894</u>	<u>(1,134,833)</u>	<u>-</u>	<u>237,225,275</u>	<u>61,090,239</u>	<u>(299,675)</u>	<u>3,831,806</u>	<u>-</u>	<u>64,622,370</u>	<u>172,602,905</u>
<b>Infrastructure Related Total</b>	<b><u>394,899,625</u></b>	<b><u>17,220,376</u></b>	<b><u>(1,803,403)</u></b>	<b><u>-</u></b>	<b><u>410,316,598</u></b>	<b><u>183,127,812</u></b>	<b><u>(565,672)</u></b>	<b><u>7,749,698</u></b>	<b><u>-</u></b>	<b><u>190,311,838</u></b>	<b><u>220,004,760</u></b>
<b><u>General</u></b>											
Land	12,262,911	-	-	-	12,262,911	-	-	-	-	-	12,262,911
Land Improvements	21,168,958	275,417	-	-	21,444,375	15,088,604	-	337,503	-	15,426,107	6,018,268
Building/Building Improvements	53,397,773	1,259,712	-	-	54,657,485	12,702,281	(55,000)	1,336,106	-	13,983,387	40,674,098
Machinery and Equipment	1,053,583	417,900	-	-	1,471,483	442,968	-	86,553	-	529,521	941,962
Vehicle	<u>4,920,316</u>	<u>1,683,418</u>	<u>-</u>	<u>-</u>	<u>6,603,734</u>	<u>2,278,324</u>	<u>-</u>	<u>359,893</u>	<u>-</u>	<u>2,638,217</u>	<u>3,965,517</u>
<b>General Total</b>	<b><u>92,803,541</u></b>	<b><u>3,636,447</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>96,439,988</u></b>	<b><u>30,512,177</u></b>	<b><u>(55,000)</u></b>	<b><u>2,120,055</u></b>	<b><u>-</u></b>	<b><u>32,577,232</u></b>	<b><u>63,862,756</u></b>
<b>Total Capital Assets Sub-Total</b>	<b><u>487,703,166</u></b>	<b><u>20,856,823</u></b>	<b><u>(1,803,403)</u></b>	<b><u>-</u></b>	<b><u>506,756,586</u></b>	<b><u>213,639,989</u></b>	<b><u>(620,672)</u></b>	<b><u>9,869,753</u></b>	<b><u>-</u></b>	<b><u>222,889,070</u></b>	<b><u>283,867,516</u></b>
Work In Progress	<u>11,162,717</u>	<u>6,284,063</u>	<u>(1,412,369)</u>	<u>-</u>	<u>16,034,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,034,411</u>
<b>Total Tangible Capital Assets</b>	<b><u>498,865,883</u></b>	<b><u>27,140,886</u></b>	<b><u>(3,215,772)</u></b>	<b><u>-</u></b>	<b><u>522,790,997</u></b>	<b><u>213,639,989</u></b>	<b><u>(620,672)</u></b>	<b><u>9,869,753</u></b>	<b><u>-</u></b>	<b><u>222,889,070</u></b>	<b><u>299,901,927</u></b>

- 1 **MATERIALITY TRESHOLD**
- 2 St. Thomas Energy Inc.'s annual revenue requirement is well below \$10M. In accordance with
- 3 section 2.2.4 of the Board's filing requirements; a materiality threshold of \$50k applies
- 4 throughout this application.

## ABBREVIATIONS AND DEFINED TERMS

### ABBREVIATIONS

Abbreviation	Meaning
STEI	St. Thomas Energy Inc.
AMCD	Advanced Metering Communications Device
AMI	Advanced Metering Infrastructure
AMP	Asset Management Plan
APH	Accounting Procedures Handbook
ARC	Affiliate Relationships Code for Electricity Transmitters and Distributors
ASPE	Accounting Standards for Private Enterprise
BRR	Base Revenue Requirement
CAIDI	Customer Average Interruption Duration Index
Canadian AcSB	Canadian Accounting Standards Board
CCA	Capital Cost Allowance
CDM	Conservation and Demand Management
CGAAP	Canadian Generally Accepted Accounting Principles
CIAC	Contribution in Aid of Construction
CICA	Canadian Institute of Chartered Accountants
CIS	Customer Information System
CPI	Consumer Price Index
CSA	Canadian Standards Association
DAMP	Distribution Asset Management Plan
DRC	Debt Retirement Charge
EBT	Electronic Business Transactions
EDA	Electricity Distributors Association
EDR	Electricity Distribution Rate
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning

<b>Abbreviation</b>	<b>Meaning</b>
FAQs	Frequently Asked Questions
Filing Requirements	Update to Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, June 28, 2012
FMV	Fair Market Value
FTE	Full Time Equivalent
GA	Global Adjustment
GEA	Green Energy and Green Economy Act
GIS	Geographic Information System
GPS	Geographic Positioning System
GS < 50 kW	General Service Less Than 50 kW
GS > 50 kW	General Service Greater Than 50 kW
GST	Goods and Service Tax
HS&E	Health, Safety and Environment
HST	Harmonized Sales Tax
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IRM	Incentive Regulation Mechanism
IRM3	Third Generation Incentive Regulation Mechanism
IT	Information Technology
ITC	Input Tax Credit
kW	KiloWatt
kWh	KiloWatt hour
LCBF	Long Canada Bond Forecast
LDC	Local Distribution Company
LEAP	Low-Income Energy Consumer Program
LRAM	Lost Revenue Adjustment Mechanism
LTLT	Long Term Load Transfer
LV	Low Voltage
MDM/R	Meter Data Management/Repository

Abbreviation	Meaning
MIFRS	Modified International Financial Reporting Standards
MSC	Monthly Service Charge
NBV	Net Book Value
non RPP	Non-Regulated Price Plan
NPV	Net Present Value
O&M	Operations and Maintenance
OCEB	Ontario Clean Energy Benefit
ODS	Operational Data Store
OH&S	Occupational Health, Safety and Environment
OM&A	Operations, Maintenance and Administration
OMERS	Ontario Municipal Employees Retirement System
OMS	Outage Management System
OPA	Ontario Power Authority
PC	Personal Computer
PCBs	Polychlorinated Biphenyls
PILs	Payments in Lieu of Taxes
PP&E	Property, plant and equipment
PST	Provincial Sales Tax
RES	Residential Customer
RFP	Request for Proposal
ROE	Return on Equity
RPP	Regulated Price Plan
RRR	Reporting and Record Keeping Requirements
RSVA	Retail Settlement Variance Account
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SAN	Storage Area Network
SAP	Systems, Applications and Products
SCADA	Supervisory Control and Data Acquisition

Abbreviation	Meaning
SL	Streetlight Customer
SM	Smart Meters
SMDR	Smart Meter Disposition Rider
SMFA	Smart Meter Funding Adder
SMI	Smart Meter Initiative
SPC	Special Purpose Charge
STRs	Service transaction requests
the Board or the OEB	Ontario Energy Board
the IESO	Independent Electricity System Operator
the OEB Act	Ontario Energy Board Act
TOU	Time of Use
TSX	Toronto Stock Exchange
UCC	Un-depreciated Capital Cost
USL	Unmetered Scattered Load
USoA	Uniform System of Accounts
VPN	Virtual Private Network
WCA	Working Capital Allowance
WMP	Wholesale Market Participant

1

2

1

## TERMS

Term	Defined Term
Historical Years	2011, 2012, 2013
Most Recent Board Approved Test Year	2011
Bridge Year	2014
Test Year	2015

2



## STATEMENT OF PUBLICATION

St. Thomas Energy Inc. plans to publish the notice of application in the local paper as follows:

- STEI confirms that it intends to publish the Notice of Application in the St. Thomas Times-Journal, the local paid community newspaper with a 21,415 extended circulation.

**APPLICATION CONTACT INFORMATION**

135 Edward Street

St. Thomas, Ontario

N5P 4A8

Attention: Robert Kent, Director of Finance & Regulatory Affairs

Telephone: 519-631-5550 extension 5258

Fax: 519-631-4771

E-mail: [rkent@sttenergy.com](mailto:rkent@sttenergy.com)

COUNSEL FOR THE APPLICANT;

Mr. Andrew Taylor

Telephone: 416-644-1568

Fax: 416-367-1954

E-mail: [ataylor@energyboutique.ca](mailto:ataylor@energyboutique.ca)

## **RATE ORDER REQUIREMENT FOR IMPLEMENTATION**

St. Thomas Energy Inc. would require a final rate order by December 15, 2014 in order to implement rates for January 1, 2015.

Subject to timing of the approval of the Board's Decision and Order with respect to this application, St. Thomas Energy Inc. respectfully request that the implementation date be January 1, 2015 and that an interim rate order be approved.

## **STATEMENT OF THE FORM OF HEARING REQUESTED**

This Application is supported by written evidence. The written evidence will be pre-filed and may be amended from time to time, prior to the Board's final decision on this Application.

STEI requests that, pursuant to Section 34.01 of the Board's *Rules of Practice and Procedure*, this proceeding be conducted by way of written hearing, as STEI believes this is the most cost effective approach for this Application. STEI has no objection to an oral hearing if it is beneficial to the Board.

## LIST OF SPECIFIC APPROVALS REQUESTED

St. Thomas Energy Inc. is requesting that the Board provide it with an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, as specified in this Application, to be effective January 1, 2015.

In this application, St. Thomas Energy Inc. has proposed, in addition to rate charges, matters which require the Board's consideration and approval. These include the following:

1. The Applicant requests that the Board approve the 2015 Schedule of Rates and Charges as found at E8/T4/S4/Att1.

2. Specifically, the Applicant hereby applies for an order or orders granting approval of:

a. Its forecasted 2015 Service Revenue Requirement of \$7,962,742, which leads to a Base Distribution Revenue Requirement of \$7,466,698, net of other revenue;

b. Distribution rates that allow the Applicant to recover its forecasted 2015 distribution Revenue Requirement, effective January 1, 2015;

c. The Applicant's current distribution rates becoming interim commencing January 1, 2015 until its proposed distribution rates are implemented;

d. The dispersal of Group 1 and 2 deferral and variance accounts as detailed at E9/T1/S1 and additionally:

a. The recovery of stranded meter costs of \$422,504 collected through a rate rider over a five year period as described at E9/T4/S1.

- 1 e. Updated Retail Transmission Service Charge rates as described at  
2 E8/T3/S1;  
3  
4 f. An updated loss adjustment factor based on the most recent five year  
5 average as described at E8/T3/S6;  
6  
7 g. The Specific Service Charges, as described at E3/T3/S2; and  
8  
9 h. The Retail Service Charges, Transformer Allowance and Primary Metering  
10 Allowance as they exist today.

## **BOARD DIRECTION FROM PREVIOUS EDR DECISIONS**

St. Thomas Energy Inc.'s last rebasing application occurred for rates effective May 1, 2011 under proceeding EB-2010-0141. Within the Decision and Order dated June 28, 2011, the following directions were made by the Board:

The Board directed St. Thomas Energy Inc. to:

- Develop and implement a more formalized and transparent procedure for its affiliate transfer pricing as soon as practical, but no later than the filing of its next cost of service application.
- STEI was directed to adjust its 2012 and 2013 rates using the IRM's revenue to cost ratio adjustment process to achieve the minimum value of the OEB's target for the Street Lighting and Sentinel Lighting rate classes and the resulting benefits were to be applied solely to the Residential rate class.

St. Thomas Energy Inc. confirms that there are no other procedural orders, accounting orders, compliance orders or other Board direction that ought to be considered in this Application.

The transparent affiliate transfer pricing is addressed within this application (reference Exhibit 4, Tab 1, Schedules 5 and 6) and STEI achieved the cost rate adjustment with the 2012 IRM (EB-2011-0196) and the 2013 IRM (EB-2012-0166).

- 1
- 2 **COMPLIANCE ORDERS**
- 3 St. Thomas Energy Inc. has not received any compliance orders, nor is it aware of any areas in
- 4 which it is non-compliant.



## **EXISTING/PROPOSED ACCOUNTING ORDERS**

At the time of this Application, the Accounting Standard Board ("AcSB") has deferred mandatory adoption of IFRS for qualifying rate-regulated entities to January 1, 2015. However, the Board has directed that all LDC's must adopt either IFRS or an alternative method of accounting no later than January 1, 2013. And that the 2015 Cost of Service Application is to be filed on that alternative accounting basis.

As such, St. Thomas Energy Inc. has prepared its current application on a MIFRS basis.

## DESCRIPTION OF APPLICANTS SERVICE AREA

St. Thomas Energy Inc. was incorporated under the Ontario Business Corporations Act in 2000. A map of the service area served by St. Thomas Energy Inc. is found at E1/T1/S10/Att1.

St. Thomas Energy Inc.'s service territory covers 33 square kilometers. St. Thomas Energy Inc. provides electrical distribution services to approximately 16,700 residential and commercial customers in its service area as illustrated below.

St. Thomas Energy Inc. has a total of 252.18 circuit kilometers of primary wire and underground cable installed of which 148.67 km or 59% is overhead

The overhead system includes 868 pole mounted transformers, 4,824 poles and 133 overhead switches.

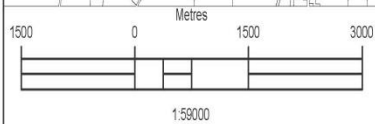
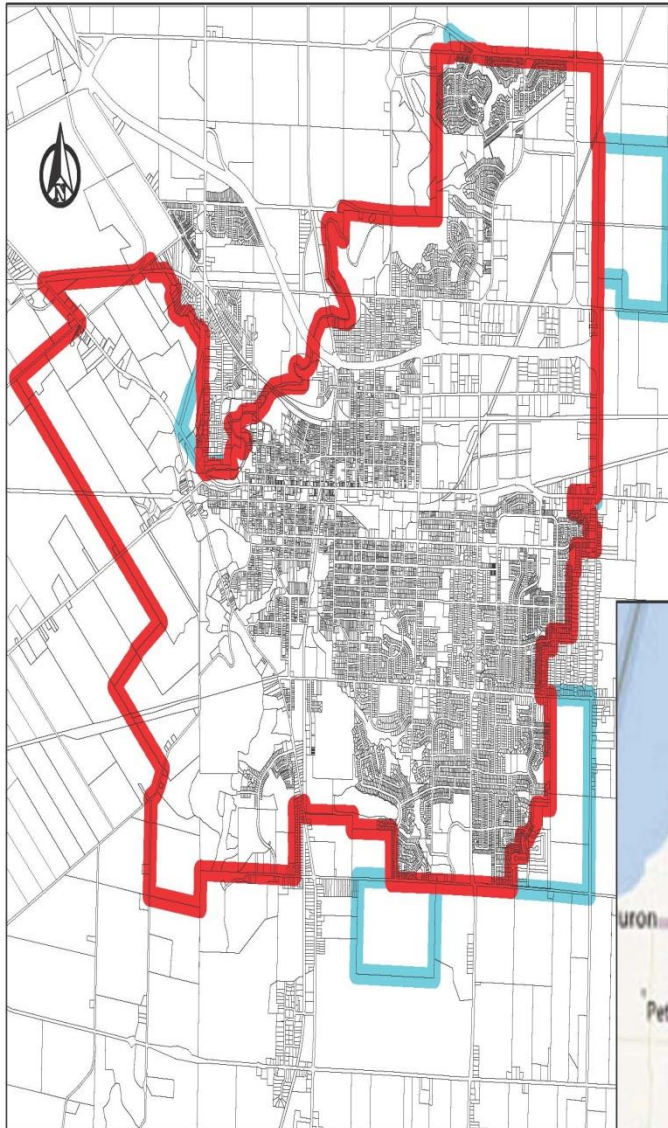
St. Thomas Energy Inc.'s underground distribution system accounts for approximately 41% of its overall distribution system. This portion of the distribution system is comprised primarily of 103.51 km of underground conductors and all associated distribution transformers and protective devices.

St. Thomas Energy Inc.'s distribution system is supplied by Hydro One Networks Inc. ("HONI") primarily from the Edgeware TS at a voltage level of 27.6 kV.

The distribution system contains 6 municipal substations transforming voltage from 27.6 kV to 2.4 kV delta. The 6 substations operate at a primary voltage of 27.6kV with secondary transformation to 2.4 kV, where they supply Distribution feeders owned by St. Thomas Energy Inc., for wide-area distribution to residential and commercial customers.

## Attachment 1 of 1

### Service Area Map

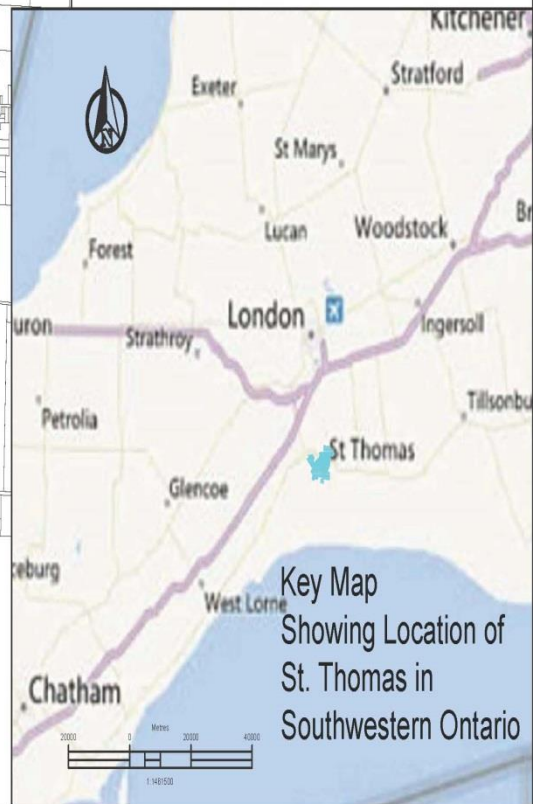


STEI Service Territory Shown in Reference  
to the City of St. Thomas

# STEI Service Territory Location

## Legend

	Properties
	STEI Service Territory
	St. Thomas City Limit



Key Map  
Showing Location of  
St. Thomas in  
Southwestern Ontario

## **LIST OF NEIGHBORING UTILITIES**

St. Thomas Energy Inc. service area is completely contained within the municipal boundaries of the City of ST. Thomas and is about 33 square km's. The area is embedded within the Aylmer area of Hydro One Networks Inc.

Hydro One Networks Inc.                      Direct Line: 416-345-5000  
483 Bay St.  
Toronto, ON M5G 2P5                      Website: [www.HydroOne.com](http://www.HydroOne.com)

- 1 **HOST\EMBEDDED DISTRIBUTOR**
- 2 St. Thomas Energy Inc. is not an embedded distributor and has no embedded distributors.

1

## CORPORATE INFORMATION

2

## Attachment 1 of 20

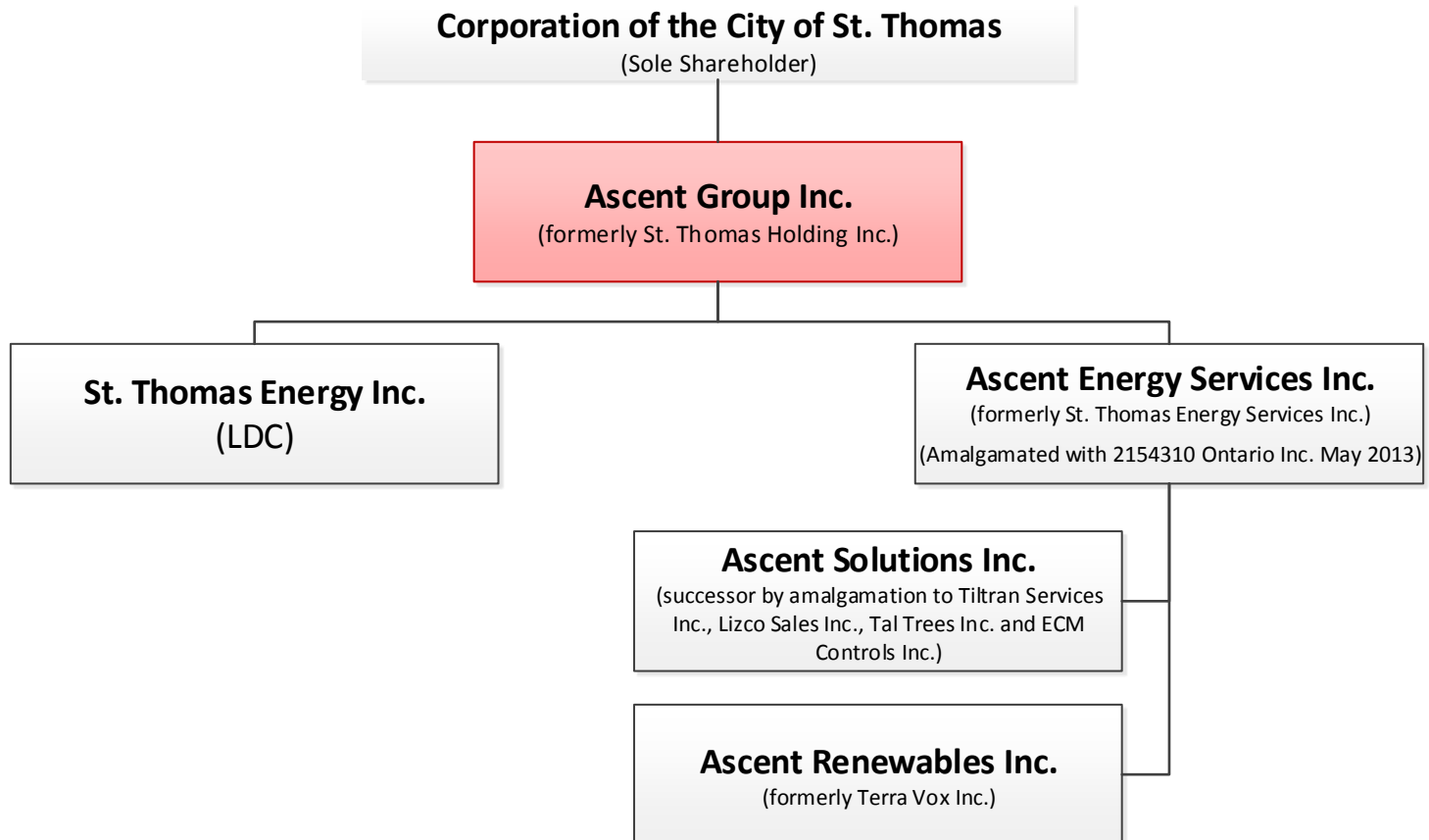
# Corporate and Utility Organizational Structure



# ASCENT GROUP INC.

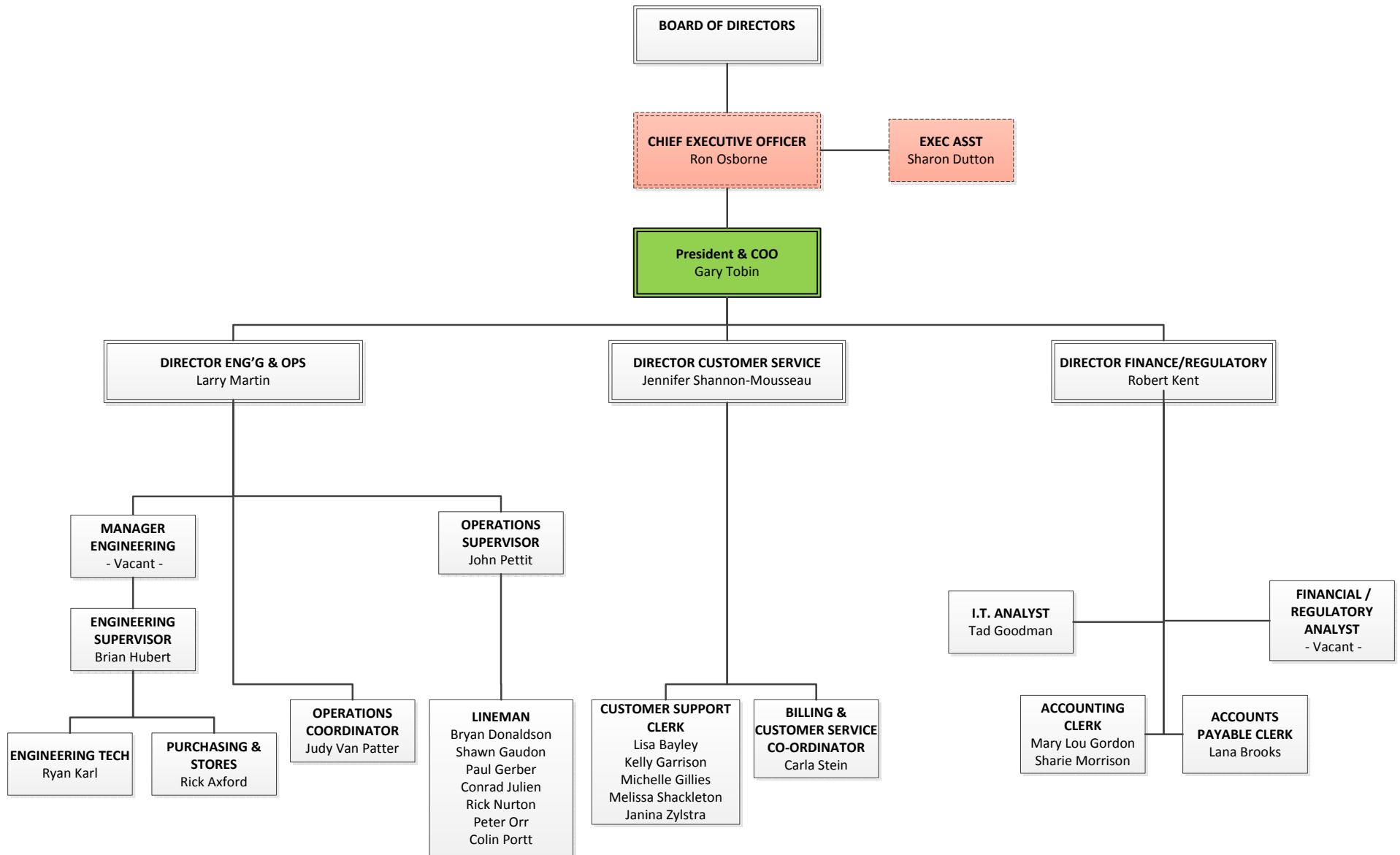
## Corporate Structure

May 1, 2013



# ST. THOMAS ENERGY INC.

as at November 25, 2013



## Attachment 2 of 20

# Planned Changes to the Operational Structure

## **PLANNED CHANGES TO THE OPERATIONAL STRUCTURE**

As noted in Exhibit 1, Tab 2, Schedule 3 Page 2 of 3 in STEI's 2011 COS application STEI was originally created as a virtual corporation. As a virtual corporation, STEI owned all the distribution assets, land buildings and related working capital. STEI had no staff and purchased management services and capital from Ascent Energy Services Inc. (AESI) an affiliated company. AESI retained all staff and owned the remaining assets, such as rolling stock and office equipment. STEI was responsible for its own direct operating expenses such as power purchases, regulatory, legal, Board of Director and audit fees. AESI provided services to STEI under a Master Service Agreement (MSA). The MSA provided the fee and service structure for which AESI would invoice STEI, primarily based upon pre-2000 controllable cost and service levels. The structure of the MSA was such that AESI was subsidizing STEI. This was identified and included in the 2011 previous Cost of Service application.

STEI restructured from a virtual corporation to an operating utility on January 1, 2012. Restructuring of STEI was being considered prior to the 2011 COS application and began with the hiring of a Chief Operating Office in 2010. The restructuring included transferring all utility specific staff and assets from AESI to STEI. STEI is responsible for the construction, expansion, operation and maintenance of the electrical distribution system, customer billing and collection systems as well as other administrative functions.

The restructuring effectively eliminated the original MSA requiring STEI to obtain an independent transfer transparent pricing study as the basis for a new services agreement. In 2013 STEI contracted PricewaterhouseCoopers to provide a costing/transfer pricing study for the affiliate transactions noted below.

Exhibit: 1  
Tab: 5  
Schedule: 17  
Attachment: 2.1

Page: 2 of 5  
Filed on: April 25, 2014

Services provided by STEI:

- Water and sewer billing, City of St. Thomas
- Engineering services to Ascent.

Services received by STEI from Ascent Group Inc.

- Corporate and Governance oversight
- Locates
- Meter service locates
- Service layouts

### **Restructuring Overview**

STEI was restructured into a fully operational utility in 2012. Prior to this it had been run and regulated as a virtual utility owning most but not all assets required to conduct business and having no dedicated staff. The restructuring required the transfer of the remainder of the property, plant and equipment assets necessary to carrying out utility business and these assets were transferred at fair value. The transferred assets consisted of office furniture and equipment, computer hardware and software, transportation equipment and tools, tools and equipment, communication equipment, mobile substation and system supervisory equipment. Additionally, 28 of 31 (greater than 90% allocation) staff were also transferred into STEI.

Coincident with this restructuring, management made two non-discretionary changes in accounting policy as required by the Board's July 17, 2012 letter to all distributors entitled "regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013." These changes were made both for regulatory reporting and for external financial reporting purposes. As STEI has indicated that it will continue to use legacy Canadian GAAP (per Part V of the CPA Handbook) until it adopts IFRS

Exhibit: 1  
Tab: 5  
Schedule: 17  
Attachment: 2.1

Page: 3 of 5  
Filed on: April 25, 2014

effective January 1, 2015, it could have deferred the required policy changes to January 1, 2013 under the terms of the Board's letter. However, management decided it was more appropriate to make the required changes as part of its wider restructuring in 2012, believing that this timing would improve the comparability of year-over-year financial information. Similar to most other local distribution companies, for external reporting purposes, the revisions to the company's accounting policies for depreciation and cost capitalization were treated prospectively as changes in accounting estimate. Both of the IFRS accounting policy changes required by the Board can be considered consistent with legacy Canadian GAAP for external financial reporting purposes.

STEI's new depreciation policy is consistent with the requirements of IAS 16 "Property, Plant and Equipment." Assets are now amortized over their useful economic service lives rather than on the basis of the generally shorter service lives previously prescribed by the Board. The useful lives adopted in 2012 were established through a third party depreciation study conducted by Kinectrics. In addition, under the new policy premature retirement losses are now recorded in current earnings.

STEI's cost capitalization policy for overhead and indirect costs was also developed to be consistent with IAS 16 such that only directly attributable costs can be included in the cost of a self-constructed item of property, plant and equipment. It was particularly important that this policy change occur in 2012 as prior to restructuring capital assets had been constructed by STEI's affiliate AESI and had been treated as purchased asset acquisitions from this related party. As STEI moved to building its own assets in 2012, a more robust capitalization policy was required to ensure that only appropriate internal costs were capitalized.

The financial accounting impact of this policy change increased operating expenses as compared to the pre-restructuring amounts that were included in the 2011 Board- approved amounts. STEI has determined that the net impact arising from the CGAAP accounting policy

changes upon restructuring is an \$85,019 recovery in account 1576 for which STEI management is not seeking recovery of.

Board Appendix 2-YA is provided below. The conversion from CGAAP to IFRS in 2015 results in a \$165,966 reduction in STEI's revenue requirement.

**Appendix 2-YA**  
**Summary of Impacts to Revenue Requirement**  
**from Transition to MIFRS**

Revenue Requirement Component	2015 MIFRS	2015 CGAAP	Difference	Reasons why the revenue requirement component is different under MIFRS versus CGAAP
Closing NBV 2014	\$ 26,168,708	\$ 26,253,727	-\$ 85,019	Decrease in burdens capitalized partly offset by decreased amortization due to overall extension to useful lives
Closing NBV 2015	\$ 26,700,984	\$ 27,416,937	-\$ 715,953	Decrease in burdens capitalized partly offset by decreased amortization due to overall extension to useful lives
Average NBV	\$ 26,434,846	\$ 26,835,332	-\$ 400,486	
Working Capital	\$ 5,049,349	\$ 4,962,883	\$ 86,466	Increase in OM&A @ 13% as non-directly attributable burdens previously capitalized under old CGAAP are now expensed under new CGAAP
Rate Base	\$ 31,484,195	\$ 31,798,215	-\$ 314,020	
Return on Rate Base	\$ 2,065,741	\$ 2,086,344	-\$ 20,603	
			\$ -	
OM&A	\$ 4,634,620	\$ 3,969,494	\$ 665,126	Overhead costs previously capitalized under Old CGAAP
Depreciation	\$ 1,208,219	\$ 2,018,708	-\$ 810,489	Decrease in expense as useful lives under New CGAAP are extended
PILs or Income Taxes	\$ 54,162	\$ 54,162	\$ -	Reflecting change excluding tax impacts
			\$ -	
Less: Revenue Offsets	-\$ 496,044	-\$ 496,044	\$ -	No change
			\$ -	
			\$ -	
			\$ -	
Insert description of additional item(s)			\$ -	
<b>Total Base Revenue Requirement</b>	<b>\$ 7,466,698</b>	<b>\$ 7,632,664</b>	<b>-\$ 165,966</b>	

The restructuring has had no impact on the tax status of STEI.

The effect of the policy adoption, combined with the change in useful life measurement, enhanced the comparability of CGAAP financial statements for the period 2012 to 2014 and the 2015 IFRS financial statements.

Exhibit: 1  
Tab: 5  
Schedule: 17  
Attachment: 2.1

Page: 5 of 5  
Filed on: April 25, 2014

- 1 Management recognizes that 2011 COS Board-Approved and 2011 actual financial results are
- 2 not comparable going forward and have therefor focused the variance analysis within the 2015
- 3 COS Application between the 2015TY and the 2013 actual results.



## Attachment 3 of 20

### Board of Directors

## **Board of Directors**

STEI has six corporate independent board members, (meaning that they are not an employee or officer of STEI). STEI Board Charter conforms to the Affiliate Relationship Code (“ARC”) whereby one-third of its directors are independent from Affiliate Boards. Annually, each Director signs an attestation acknowledging acceptance of the Code of Conduct which speaks to conflicts of interest.

Open, frank and honest discussions are encouraged at all Board and Committee meetings. Management provides the STEI Board with all the necessary information (written reports, PowerPoint presentations, oral reports, verbal and written responses to STEI Board inquiries) that is critical to the successful realization of the corporate goals and objectives. The STEI Board conducts an annual self-assessment of its performance, including the individual member’s performance.

Following is the background of the six STEI Board Members

### **1. Peter Ostojic (Chair) Appointed 2008**

- Appointed to sub-committee of the Board: Governance & Nominating
- Former Mayor of St. Thomas
- Appointed by the former STHI parent board for a temporary period in 2000 as Interim President/C.E.O. of St. Thomas Energy during a recruitment process to replace the existing C.E.O.
- Partner in a family owned local contracting business

### **2. Bill Aarts (Vice)**

- Appointed 2012
- Former St. Thomas City Alderman
- Retired – Construction, Educator
- Active in the sports community

### **3. Joe Brophy**

- Appointed 2011

- Appointed to sub-committees of the Board: Compensation, Audit
- 20+ years' experience in energy sector (natural gas, bio-mass generation, hydro generation)
- VP/GM Energy Fundamentals Group
- Director on EFG Renewable Infrastructure Fund

#### **4. Gary Clarke**

- Appointed 2014
- Retired educator
- Chair of the former St. Thomas PUC
- Active in the local community; Special Olympics Coach, Knights of Columbus, Optimists, Hospital Foundation Fundraising Committee, St. Anne's Festival, St. Thomas Sports Spectacular

#### **5. Don Ferguson**

- Appointed 2013
- Appointed to sub-committee of the Board: Audit
- Local solicitor
- Active in the local community; Endowment Fund Committee of the St. Thomas Elgin Public Art Centre and a trustee of Knox Presbyterian Church, Kettle Creek Conservation Trust Fund, St. Thomas Chamber of Commerce
- Enjoys thoroughbred breeding and racing

#### **6. James Herbert**

- Appointed 2006
- Appointed to sub-committees of the Board: Governance & Nominating, Audit (ad hoc)
- Retired Radiologist - currently working on contract, consulting
- Active in the sports community – coaching

### **1. Board Mandate**

The Board has adopted a charter that was approved June 29, 2011. The Charter of the Board of Directors is provided as Attachment 23 to this exhibit.

## **2. Board Meetings**

The Board meets quarterly; a schedule of the STEI Board meeting for 2014 is attached. The 2014 work plan that details the responsibilities and activities required to be carried out by the Board – as specified in the Board Charter, is provided as Attachment 16 to this exhibit.

Meetings are scheduled in advance for Committees of the Board, according to committee mandate.

## **3. Orientation and Continuing Education**

STEI values best practices of corporate governance and strives to maintain and adopt policies to promote maximum effectiveness. The Board recognizes that a Director Orientation and Continuing Education Policy is an essential tool to that effect.

Board and committee mandates, charters, roles and policies are reviewed annually and updated as required.

The orientation and education process includes, but not limited to, the following information:

### Orientation:

1. Shareholder Directive
2. Operating Bylaw
3. Corporate Background , Organizational Chart, Board Structure
4. Strategic Plan / Sales & Marketing Plan
5. Current Year Budget

6. Corporate Policies
7. Board Governance Policies (including Board Roles, Board and Committee Charters and Work Plans)
8. Board Composition and Contacts
9. Board Meeting Schedule
10. Minutes (from previous year)
11. Directors' & Officers' Insurance
12. EDA Primer
13. Health & Safety Orientation (building access/security, emergency evacuation, respect in the workplace (including Bill 168-workplace violence), privacy, accessible customer service

#### Continuing Education

The Board is responsible for ensuring Directors are provided with continuing education opportunities. Each Director shall assess his/her development needs annually during the Board evaluation process and inform the Chairperson of the Board and Chief Executive Officer of his/her development requirements. Each year, all Board Members attend two Governance training sessions, a mid-year session concentrating solely on updates and information about STEI's business and industry, and one Strategic retreat. During 2013, board training session topics included: board policy review, OCBA fiduciary obligations and standards of care, break-out sessions associated with the board's role in effectively governing risk, continuing education as an essential tool, and principles of effective governance.

Additionally, by way of information, the Board has also been exposed to:

- EDA Annual General Meetings,

- Recently, an audit committee member has been enrolled to participate in an Audit Committee Effectiveness training session in Toronto in May through the Institute of Corporate Directors. The Director will, in turn, train the remaining committee members, as well as providing a high level overview to the board as a whole.
- STEI is in the process of engaging a third party facilitator during 2014 for the purpose of enhancing board/shareholder relations.
- During 2009-2010 Dr. Chris Bart worked with the Governance & Nominating Committee and the Board with regard to governance best practices.
- Accessible Customer Service Training

#### **4. Ethical Business Conduct**

The Board has adopted Code of Conduct for Directors and Officers. Each Director and Officer is required to read and sign the Code of Conduct annually. A copy of the Code of Conduct is provided as Attachment 10.

Potential conflicts or interest are declared and assessed at the outset of all Committee and Board meetings. The Conflict of Interest policy is provided as Attachment 11.

#### **5. Nomination of Directors**

There is a Corporate policy for the recruitment and selection for the Board of Directors.

Recruitment and selection for STEI is the responsibility of Ascent Group Inc. (AGI), subject to Shareholder ratification. In view of the importance to AGI and its affiliates, the City and the community STEI serves, the increasingly complex nature of our business and the increasing high levels of public and media scrutiny, it is essential that the Boards of Directors be composed of highly qualified and respected individuals who are knowledgeable with respect to the challenges facing them and whose commitment to the interests of the Corporation is beyond reproach. A copy of the Recruitment and Selection-Board of Directors is provided as Attachment 12.

## 6. Board Committees

- Audit Committee

The Audit Committee is a standing committee of the Board. Its purpose is to assist the Board in fulfilling its oversight responsibilities for (i) the integrity of the Corporation's financial statements; (ii) the Corporation's compliance with legal and regulatory requirements; (iii) the qualifications and independence of the external auditors and (iv) the performance of the Corporation's internal audit function and external auditors. The Audit Committee members are required to be financially literate. The committee meets at minimum three times per year to ensure effective fulfilment of its responsibilities.

The Audit Committee charter is provided as Attachment 4.

- Governance & Nominating Committee

The GNC is responsible for: Assisting AGI and its affiliate Boards (herein referenced as "the Board") to enhance performance; recommending for AGI Board approval specific processes and procedures relating to effective board governance and relationship with the Chief Executive Officer; implementing processes and procedures as directed by the AGI Board; leading the Board in annual review of its performance, individually and as a whole, utilizing the Corporate 360 degree assessment tool; leading the annual Board vacancy process, recommending for AGI Board approval and/or consideration, nominees for the STEI, AESI and affiliate Boards; skills and competencies required for each board, based on current complement and future needs; and slate of nominees for Board Chair and Vice-chair.

The GNC meets at minimum six times per year, focusing on enhancing board effectiveness and that appropriate tools are in place to ensure the Board's effective fulfilment of its responsibilities.

A copy of the GNC charter is provided as Attachment 8.

- Compensation Committee

- The Compensation Committee of the Board shall assist and advise the board regarding its responsibility for oversight of the corporation's compensation policy. In particular, the Committee shall study and evaluate appropriate compensation mechanisms and criteria

and make recommendations to the full board regarding the establishment of policies and practices for compensating officers and directors of the corporation appointed in accordance with its by-laws. The committee meets as frequently as necessary to carry out its responsibilities.

A copy of the Compensation Committee is provided as Attachment 5.



## Attachment 4 of 20

### Board Member Orientation Package

## **BOARD MEMBER ORIENTATION PACKAGE**

1. Shareholder Directive
2. Operating Bylaw
3. Corporate Background / Org Chart / Board Structure
4. Strategic Plan / Sales & Marketing Plan
5. Current Year Budget
6. Corporate Policies
7. Board Policies
8. Contacts
  - a. Board Composition
  - b. Contact Listing (all boards)
9. Board Meeting Schedule
10. Minutes (from previous year)
11. Directors' & Officers' Insurance
12. EDA Primer
13. iPad Set-up / Training
14. Board iShare Site Training
15. Health & Safety Orientation (building access/security, emergency evacuation, respect in the workplace (including Bill 168-workplace violence), privacy, accessible customer service

Note: Incoming Director required to complete/return current Provincial/Federal Tax Credit forms and direct deposit form accompanied by a void cheque; confidentiality pledge.

## Attachment 5 of 20

### Charter-Audit Committee



## **CHARTER AUDIT COMMITTEE**

### **1. PURPOSE**

The Audit Committee is a standing committee of the Board. Its purpose is to assist the Board in fulfilling its oversight responsibilities for (i) the integrity of the Corporation's financial statements; (ii) the Corporation's compliance with legal and regulatory requirements; (iii) the qualifications and independence of the external auditors and (iv) the performance of the Corporation's internal audit function and external auditors.

### **2. COMPOSITION**

2.1. The committee shall consist of three (3) board members, one of whom would represent the STEI Board. Each representative shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

2.2. The Governance & Nominating Committee (GNC) will recommend to the AGI Board members for appointment to the committee.

2.3. Unless a Chair is appointed by the AGI Board, members of the committee may designate its Chair.

2.4. Each committee member shall be financially literate.

### **3. MEETINGS**

The committee shall meet at least three (3) times per year and at such other times as it deems necessary to carry out its responsibilities. To ensure effective interaction and outcomes, meetings will be conducted in person. Participation by teleconference would be by exception only and at the discretion of the Committee Chair. The Chair of the Committee and/or any other member of the Committee and/or the Chief Executive Officer or Chair of the Board may call such meetings.

### **4. SCOPE OF RESPONSIBILITIES**

#### **4.1. Financial Statements**

- a) Review significant accounting and reporting issues and understand their impact on the financial statements, including (i) complex or unusual transactions and highly judgmental areas; (ii) major issues regarding accounting principles and financial statement presentations; and (iii) the effect on regulatory and accounting initiatives as well as off-balance sheet structures on the financial statements of the Corporation.

- b) Review analyses prepared by management and/or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
- c) Review with management and external auditors the results of the audit, including any difficulties encountered.
- d) Review and discuss annual audited financial statements and quarterly financial statements with management and external auditors.
- e) Review management's internal control report and the related attestation by the external auditors of the Corporation's internal controls over financial reporting.

#### 4.2. Internal Controls

- a) Consider the effectiveness of the Corporation's internal control system, including information technology security and control.
- b) Understand the scope of internal audits and external auditor's review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.
- c) Annually review the Corporation's disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.

#### 4.3. External Audit

- a) Review the external auditor's proposed audit scope and approach and budget.
- b) Oversee the work and review the performance of the external auditors and make recommendations to the Board regarding the appointment or discharge of the external auditors. In performing this oversight, the Committee will, at least annually, obtain and review a report by the external auditor describing (a) their internal quality control procedures; (2) any material issues related to the most recent internal quality control review or peer review of the external auditors; and (c) to assess the auditor's independence, all relationships between the external auditors and the Corporation.
- c) Present its conclusions with respect to the external auditors to the Board for consideration.

#### 4.4. Compliance

- a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- b) Ensure procedures are in place for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

- c) Review the findings of any examinations by regulatory agencies and any external auditors' observations made regarding those findings.
- d) Obtain regular updates from management and the Corporation's legal counsel regarding compliance matters.

#### 4.5. Reporting Responsibilities

- a) Regularly report to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Corporation's financial statements, compliance with legal or regulatory requirements and the performance and independence of the external auditors and internal audit function.
- b) Report annually to the Shareholder, describing the committee's composition, responsibilities and how they were discharged.

#### 4.6. Risk Responsibilities

- a) Discuss with management the Corporation's major policies with respect to risk assessment and risk management.
- b) Review on a quarterly basis any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and ensure appropriate disclosure thereof.
- c) Ensure financial, accounting, auditing, control and reporting risks are identified and appropriate measures to mitigate and manage risks are implemented.

#### 4.7. Other Responsibilities

- a) Upon AGI direction, review and make recommendations on Corporate bylaws and Shareholder directives.

## 5. REFERENCES

### 5.1. Code of Conduct Policy

## Attachment 6 of 20

### Charter-Compensation Committee



## **CHARTER COMPENSATION COMMITTEE**

### **1. PURPOSE**

The Compensation committee of the Board shall assist and advise the board regarding its responsibility for oversight of the corporation's compensation policy.

In particular, the Committee shall study and evaluate appropriate compensation mechanisms and criteria and make recommendations to the full board regarding the establishment of policies and practices for compensating officers and directors of the corporation appointed in accordance with its by-laws.

### **2. SCOPE**

- a) The Committee shall recommend an overall compensation philosophy (ICP) for the corporation and ensure the establishment of appropriate performance targets for the Chief Executive Officer and management team.
  - i. In the event the company meets only a portion of its annual target, the Committee shall offer recommendations on application of the ICP to the respective AGI and STEI Boards.
- b) The Committee will provide advice to the Chief Executive Officer regarding implementation of the compensation philosophy.
- c) The Committee will provide advice to the AGI Board on the compensation philosophy for the Directors of the AGI Board and its affiliates.
- d) Leading the annual performance review of the Chief Executive Officer, recommending for AGI Board approval the Chief Executive Officer's
  - a) current year bonus and
  - b) goals, objectives and salary adjustment for the following business year.



### **3. COMPOSITION**

The Compensation Committee shall be comprised of three (3) board members, one of whom would represent the STEI Board, as determined and appointed annually by the AGI Board. Each representative shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

Unless a Committee Chair is appointed by the full board, members of the Compensation Committee may designate its Chair by majority vote of the full Compensation Committee membership.

### **4. MEETINGS**

The Committee will meet as frequently as necessary to carry out its responsibilities under this Charter, but not less than two (2) meetings per year. To ensure effective interaction and outcomes, meetings will be conducted in person. Participation by teleconference would be by exception only and at the discretion of the Committee Chair. The Chair and/or any other member of the Committee and/or the Chief Executive Officer or Chair of the Board may call such meetings.

### **5. SCOPE OF RESPONSIBILITIES**

In order to carry out its responsibilities under this Charter, the Committee will develop the philosophy of the corporate compensation policy. Management of the policy is the responsibility of the Chief Executive Officer.

*Reviewed by GNC January 8, 2013*

*Approved by AGI January 16, 2013*

## Attachment 7 of 20

### Annual Attestation Form



**St. Thomasenergy inc.**  
*We're Your Local Power Distributor*

a division of Ascent

## **ANNUAL ATTESTATION**

I, \_\_\_\_\_ have reviewed and understand the policies forming part of the Governance Manual; in particular:

- ☐ Conflict of Interest / Disclosure Policy
- ☐ Code of Conduct Policy

I shall abide by all policies, guidelines and directions as set forth by the Corporation and Board.

### **Confidentiality Attestation**

I shall not disclose non-public information concerning AGI or its affiliates, including information as to finances, activities, plans, and prospective business opportunities, acquired by virtue of my status within the Board or Corporation, nor shall I discuss confidential proceedings from a meeting or sponsored event.

### **Corporate Values Attestation**

I shall abide by and actively exhibit and promote support of the Corporate Values of Honesty, Attitude, Respect and Teamwork in my interactions with other members of the Board, management or business partners.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Board and/or Corporate Officer

## Attachment 8 of 20

### Board Backgrounder

## **BACKGROUNDER – STEI BOARD OF DIRECTORS**

*as at January 2014*

- 1. Peter Ostojic (Chair)**
  - Appointed 2008
  - Appointed to sub-committee of the Board: Governance & Nominating
  - Former Mayor of St. Thomas
  - Appointed by the former STHI board for a temporary period in 2000 as Interim President/C.E.O. of St. Thomas Energy during a recruitment process to replace the exiting C.E.O.
  - Appointed to the Board Governance & Nominating Committee
  - Partner in a family owned local contracting business
- 2. Bill Aarts (Vice)**
  - Appointed 2012
  - Former St. Thomas City Alderman
  - Retired – Construction, Educator
  - Active in the sports community
- 3. Joe Brophy**
  - Appointed 2011
  - Appointed to sub-committees of the Board: Compensation, Audit
  - 20+ years' experience in energy sector (natural gas, bio-mass generation, hydro generation)
  - VP/GM Energy Fundamentals Group
  - Director on EFG Renewable Infrastructure Fund
- 4. Gary Clarke**
  - Appointed 2014
  - Retired educator
  - Former Chair of the St. Thomas PUC
  - Active in the local community; Special Olympics Coach, Knights of Columbus, Optimists, Hospital Foundation Fundraising Committee, St. Anne's Festival, St. Thomas Sports Spectacular
- 5. Don Ferguson**
  - Appointed 2013
  - Appointed to sub-committee of the Board: Audit
  - Local solicitor
  - Active in the local community; Endowment Fund Committee of the St. Thomas Elgin Public Art Centre and a trustee of Knox Presbyterian Church, Kettle Creek Conservation Trust Fund, St. Thomas Chamber of Commerce
  - Enjoys thoroughbred breeding and racing
- 6. James Herbert**
  - Appointed 2006
  - Appointed to sub-committees of the Board: Governance & Nominating, Audit (ad hoc)
  - Retired Radiologist - currently working on contract, consulting
  - Active in the sports community – coaching

## Attachment 9 of 20

### Charter-GNC



## **CHARTER**

### **GOVERNANCE & NOMINATING COMMITTEE (GNC)**

#### **1. PURPOSE**

The GNC is responsible for:

- 1.1. Assisting the AGI and its affiliate Boards (herein referenced as “the Board”) to enhance performance;
- 1.2. Recommending for AGI Board approval specific processes and procedures relating to effective board governance and relationship with the Chief Executive Officer;
- 1.3. Implementing processes and procedures as directed by the AGI Board;
- 1.4. Leading the Board in annual review of its performance, individually and as a whole, utilizing the Corporate 360 degree assessment tool;
- 1.5. Leading the annual Board vacancy process, recommending for AGI Board approval and/or consideration,
  - a) nominees for the STEI, AESI and affiliate Boards;
  - b) skills and competencies required for each board, based on current complement and future needs; and
  - c) slate of nominees for Board Chair and Vice-chair.

#### **2. COMPOSITION**

The GNC shall be comprised of three (3) board members, one of whom would represent the STEI Board, as determined and appointed annually by the AGI Board. Each representative

shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

Unless a GNC Chair is appointed by the full board, members of the GNC may designate its Chair by majority vote of the full GNC membership.

### **3. MEETINGS**

The GNC shall meet at least six (6) times per year and at such other times as it deems necessary to carry out its responsibilities. To ensure effective interaction and outcomes, meetings will be conducted in person. Participation by teleconference would be by exception only and at the discretion of the Committee Chair. The Chair of the Committee and/or any other member of the Committee and/or the Chief Executive Officer or Chair of the Board may call such meetings.

### **4. SCOPE OF RESPONSIBILITIES**

#### **4.1. Assist the Board to Enhance Performance**

- a) The Committee will serve as a resource for board members in developing their full and common understanding of their role and responsibilities as board members.
- b) The Committee will provide guidance and assistance in orienting new Directors as the Board's membership evolves. It will help reinforce the board's commitment to adhere to its bylaws, mission, vision and core values.
- c) The Committee will encourage the development of effective tools, strategies and styles for the board's discussions.
- d) The Committee shall review the existing corporate governance guidelines developed by staff, be attentive to development in corporate governance in the global context and bring ideas and recommendations for adjustments in these guidelines to the board for its consideration.

#### **4.2. Recommend Processes & Procedures**



- a) The Committee will encourage the development of effective tools, strategies and styles for the Board's discussions. At AGI Board direction, the Committee will Implement approved processes and procedures.
- b) The Committee shall periodically review the Charters of the Board and its committees, including its own charter and recommend any adjustments as deemed advisable.
- c) The Committee may serve as a resource for the Chief Executive Officer and Directors who are considering the establishment of new committees.

#### 4.3. Lead Review of Performance

- a) The Committee will develop and undertake a thoughtful process for the board's self-analysis and evaluation of its own performance, annually.

#### 4.4. Lead the Board Vacancy Process

- a) Implement AGI Board processes and procedures.
- b) Present skills and competencies required for the upcoming year along with a slate of nominees and Chair/Vice-chair recommendations for AGI Board consideration. The Committee will also develop specific recommendations about filling any of these positions that become vacant during the year. The Committee will consider advice it may receive from the Chief Executive Officer, individual board members and other board committees.

#### 4.5. Breach / Discipline of Board Members

Wherever possible, concerns will be addressed by the GNC through an informal approach. In the event such efforts are unsuccessful, the situation would be escalated to formal action:

- a) It will be the responsibility of the Board to appoint an independent sub-committee to review the alleged breach of compliance. Resolution and resultant recommended direction will be reported to the Board as a whole for consideration and discussion.

- a) Depending upon the severity of the breach, the Director associated with the alleged breach may be suspended from Board activities until such time as a resolution has been reached.

## **5. REFERENCE**

### **5.1. Code of Conduct Policy**

*Reviewed by GNC January 8, 2013*

*Approved by AGI January 16, 2013*

*Amendments confirmed by AGI June 19, 2013*

*Amendments confirmed by AGI September 25, 2013*

## Attachment 10 of 20

### Charter-STEI Board

# ST. THOMAS ENERGY INC. (STEI)

## CHARTER OF THE BOARD OF DIRECTORS

### 1. PRIMARY ROLE OF THE BOARD

“STEI” means “St. Thomas Energy Inc.,” a corporation existing under the *Ontario Business Corporations Act*.

The Board of Directors (the “Board”) of “STEI” is charged, on behalf of Ascent Group Inc. (the Shareholder), with the careful and responsible supervision of STEI subject to the provisions of the shareholder declaration and as such, is the highest decision making authority within STEI. The overarching role of the Board of Directors focuses on **governance and stewardship** and not on running the day-to-day operations of STEI – the latter of which is the responsibility of management. The Board is further authorized to delegate to an officer or officers of STEI certain powers to manage the business and affairs of STEI. As such,

- a) the Board has delegated to the Chief Executive Officer of STEI (the “CEO”) the powers and authority to manage the business and affairs of STEI; and
- b) the Board has assumed the duty to supervise the CEO’s management of the business and affairs of STEI (the “Supervision Duty”).

As governors of STEI, their governance goal is to enhance executive decision making for the purpose of improving the performance of the organization. Accordingly, every member of the Board (a “Director”) must, in discharging his/her Supervision Duty and other duties,

- c) act honestly and in good faith with a view to the best interests of STEI; and
- d) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board of Directors is accountable to Ascent Group Inc.

## 2. COMPOSITION

STEI shall be managed by the Board which shall be comprised of not less than five (5) and not more than eleven (11) directors elected by the City of St. Thomas, of whom:

- (a) At least one-third (1/3) is independent from any affiliate (ref. OEB *Affiliate Relationship Code 2.1.2 Degree of Separation*.)
- (b) “the Chair shall be elected from among the existing members of the Board.”

## 3. THE SUPERVISION DUTY

Without limiting the scope or nature of the Supervision Duty, the Board acknowledges and accepts that the Supervision Duty includes the following obligations and duties of the Board:

### Financial Reporting and Disclosure

- a) The Board must gain and maintain reasonable assurance that STEI meets all financial reporting and disclosure obligations imposed on STEI by applicable law and applicable regulations, rules, policies and other requirements relating to financial reporting and disclosure promulgated by governments and regulatory agencies (“Financial Reporting Obligations”). The Board recognizes that the most significant Financial Reporting Obligations are as follows:
  - 1. To review and provide annual guidance to Management about:
    - (i) policies relating to STEI cash flow, cash management and working capital, shareholder dividends and distributions;
    - (ii) adjustments to STEI’s capital structure;
    - (iii) capital and debt issuances;
    - (iv) financial strategies;
    - (vi) policies for managing interest rate, foreign exchange, and investment risk;
    - (vii) the financial aspects of insurance and risk management;
    - (viii) tax planning and compliance;
    - (ix) proposed mergers, acquisitions, divestitures and strategic investments;

- (x) other transactions or financial issues that management desires to have reviewed by the Board or relevant Board Committee.
2. STEI's annual and interim financial statements must present fairly STEI's financial position, the results of its operations and its cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), International Financial Reporting Standards (IFRS) as well as certain industry related regulatory requirements;
  3. STEI's annual financial statements must be audited and reported on by a firm of chartered accountants (the "external auditor") which is objective and independent; and
  4. material financial information concerning STEI must be disseminated to Ascent Group Inc. in a timely manner and all financial information concerning STEI must be accurate, complete and fairly presented.
- b) The Board must also:
1. adopt policies governing STEI's hiring of partners, employees and former partners and employees of the present and any former external auditor; and
  2. approve the payment of dividends to the Shareholder in compliance with legal requirements and requirements of the Shareholder declaration.

### Strategic Planning

- a) The Board, in conjunction with the CEO, must develop a statement of the strategy which STEI intends to pursue in carrying on business (the "Strategic Plan"). For the purposes of this and other documents, strategy is defined according to the *Canadian Institute of Chartered Accountants* publication "Twenty Questions Directors should ask about strategy" and involves: (1) the determination of those long term goals (i.e. mission, vision and values) and objectives which reflect an organization's sources of competitive advantage and which address important stakeholder needs; and (2) the identification of scope (or domain) of business activities within which those goals and objectives are to be achieved.

- b) If at any time the Board is of the opinion that the then-existing Strategic Plan is no longer appropriate, the Board – in conjunction with the CEO - must develop a revised Strategic Plan.
- c) Once approved, the Board must monitor at each Board meeting STEI's implementation of the Strategic Plan and progress toward achieving the Strategic Plan.

#### Annual Budget & Business Plan

- a) The Board must review and consider for approval the annual budget of STEI as presented by the CEO of STEI.
- b) After the Board has approved the budget, the Board must monitor its progress and achievement at each meeting of the STEI Board.

#### Risk Management

The Board must gain and maintain reasonable assurance that the risks confronting STEI ("Risks") are identified, monitored and managed by the senior management of STEI ("Management") (Note: Senior management is defined as being comprised of the CEO and those reporting directly to the CEO).

In particular, the Board must gain and maintain reasonable assurance that:

- a) Management has identified the most significant Risks currently confronting STEI ("Current Principal Risks"); and
- b) New significant Risks which confront STEI ("New Principal Risks") will be identified in a timely manner and brought to the attention of the Board.

#### Human Resources

- a) The Board must gain and maintain reasonable assurance that there exists within STEI effective human resource policies and practices to enable STEI to attract and retain the people required by STEI to meet the Strategic Plan. In particular, the Board must annually gain and maintain reasonable assurance that:

1. STEI's overall compensation philosophy for all senior managers balances the objectives of (i) attracting and retaining highly competent employees, (ii) appropriately and fairly rewarding strong performance by employees, (iii) maintaining STEI's employee costs at competitive levels, and (iv) linking managers' compensation to the achievement of STEI's strategic objectives;
2. the compensation program for members of Management consists of an appropriate combination of base salary, performance based rewards and other benefits;
3. STEI establishes and maintains effective policies and practices for training and continuously improving the skills of high-potential managers and employees;
4. STEI establishes and maintains a succession plan which identifies the potential successors to the holders of all Management positions in STEI; and
5. STEI is in compliance with its approved human resources policies, procedures and guidelines as well as all applicable laws, regulations, rules, policies and other requirements of governments and regulatory agencies relating to human resources.

b) The Board must also:

1. review the CEO's appointment of all other senior managers and officers of STEI including the terms and conditions of their employment (Note: Senior managers are defined as those reporting directly to the CEO);
2. participate in an annual performance review of the CEO against the performance criteria approved by the Ascent Group Inc. Board;
3. review and approve the criteria recommended by the CEO against which the performance of other members of Senior Management will be evaluated for the purpose of receiving any compensation adjustments;
4. provide the CEO with the Board's views on the performance of those staff members whose work helps support the activities of the Board;



5. review and approve the human resources policies and procedures of STEI and any significant changes in them;
6. review and approve the annual compensation *guidelines* for employees;
7. review and approve organization-wide benefit policies as well as general terms and conditions of employment of STEI;
8. review and approve the annual compensation budget for STEI;
9. review the CEO's report to the Board annually summarizing the results of his/her performance evaluations;
10. review annually the implementation of the evaluation, planning and development processes that focus attention on management succession within STEI;
11. review the results of employee opinion surveys as appropriate; and
12. identify with management the risks associated with human resource activities at STEI and review management's plan to control them.

#### Code of Conduct, Compliance and Communication Duties

The Board must also:

- a) adopt and use reasonable efforts to monitor compliance with a written code of business conduct and ethics (the "Code") applicable to Directors, officers and employees of STEI and its subsidiaries; the Code must include standards designed to deter wrongdoing and must address the following issues:
  1. conflicts of interest;
  2. protection and proper use and exploitation of STEI's assets and opportunities;
  3. air and ethical dealing with STEI's members, suppliers, employees and other stakeholders;
  4. compliance with applicable laws, rules and regulations; and
  5. reporting of any illegal or unethical behavior;

- b) require every STEI and subsidiary Director, member of Management and those in key financial positions to annually sign an attestation acknowledging acceptance of the Code of Conduct;
- c) require every employee of STEI and its subsidiaries to receive training on the Code of Conduct and to sign an attestation acknowledging when they received/reviewed it;
- d) require waivers of compliance with the Code which shall be granted only by the Board or an appropriately empowered Board committee;
- e) gain and maintain reasonable assurance as to the integrity, comprehensiveness and effectiveness of those elements of STEI (including its resources, management information systems, processes, culture, structure and tasks) which, taken together (the “Internal Controls”), support STEI’s personnel in meeting STEI’s objectives and obligations, including the Financial Reporting Obligations;
- f) adopt the Corporate external communications policy;
- g) gain and maintain reasonable assurance (i) as to the integrity of the CEO and the other members of Management, and (ii) that the CEO and the other members of Management create and maintain a culture of integrity throughout STEI;
- h) gain and maintain reasonable assurance that appropriate policies and processes relating to the protection of the environment and to the health and safety of the Corporation’s employees, customers and other stakeholders exist and are implemented throughout the Corporation; and
- i) gain and maintain reasonable assurance that Management, the Board, and the Corporation comply with the applicable laws, regulations, rules, policies and other requirements promulgated by legislation and applicable industry regulation.

#### **4. OTHER DUTIES**

The Board also acknowledges and accepts the following duties and obligations of the Board:

##### Governance Structures and Practices

a) The Board must gain and maintain reasonable assurance that the Board composition, structures and practices of STEI and its subsidiaries enable the STEI Board to discharge the Board's duties in a highly effective manner. In particular, the Board must gain and maintain reasonable assurance that:

1. With the exception of the City Council board members, all STEI Directors are independent. For the purposes of this charter, a Director is independent if the Director has no relationship with STEI which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Director's independent judgment;
2. the Chair of the Board and Vice Chair are Directors and not members of Management;
3. the majority of every Board committee is comprised of independent directors;
4. the Board, as a whole, possesses the competencies and skills required to enable the Board to discharge the Supervision Duty and the Board's other duties;
5. the number of Directors constituting the Board facilitates effective decision-making by the Board; and
6. as a part, or by means, of regularly scheduled meetings of the Board, hold separate meetings of the Directors at which no member of Management or the general public is present (i.e. "in camera meetings") as required, at the call of the Chair. The Board should refrain from making any decisions in the absence of the CEO. The Board Chair will report to the CEO, in the presence of the other board members, the matters/items discussed (without attribution) during any in camera meetings immediately prior to the conclusion of the Board meeting.

b) The Board must also:

1. develop STEI's approach to corporate governance, including a set of governance principles and guidelines specifically applicable to STEI;
2. identify (i) the competencies and skills which the Board, as a whole, should possess and (ii) the competencies and skills which each existing Director

possesses;

3. recommend to the Ascent Group Inc. Board the criteria, competencies and skills that would make individuals qualified to become new Directors and recommending those qualified (i) as nominees for election to the Board, or (ii) for appointment by the Board to fill casual vacancies in the Board;
4. recommend STEI representation on any committees as may be requested by the Ascent Group Inc. Board from time to time to ensure STEI's interests are duly considered;
5. develop and maintain a written charter for the Board;
6. develop and maintain written position descriptions for (i) the Chair of the Board, (ii) the Vice Chair of the Board and (iii) an individual Director;
7. develop and implement processes for annually assessing (i) the effectiveness of the Board, taking into account the Board's charter, (ii) the effectiveness of the Chair of the Board and the Vice Chair of the Board taking into account their position descriptions and (iii) the effectiveness and contribution of each individual Director, taking into account the position description for an individual Director as well as the competencies and skills which such Director is expected to bring to the Board (Note: Directors may be required to participate in multiple individual assessments associated with their additional appointments to affiliates, thereby taking into account differing board dynamics, scope and objectives);
8. use reasonable efforts to cause each new Director to engage in an orientation process directed to enabling the new Director to understand fully (i) the role of the Board and all Board committees, (ii) the contribution that every Director is expected to make to governing STEI, including the commitment of time and energy expected of every Director, and (iii) the nature and operation of STEI's business and affairs;
9. use reasonable efforts to provide to all Directors continuing education opportunities to maintain and enhance Directors' skills and abilities as Directors

and to further Directors' knowledge and understanding of the nature and operation of STEI's business and affairs;

10. establish and maintain a process, that includes Board approval, by which any Director may, at the expense of STEI, engage independent counsel or other advisors to provide advice to the Director with respect to the Director's liabilities or the discharge of his or her duties as a Director; and
11. recommends to the Ascent Group Inc. Board, STEI representation on the Compensation Committee as may be required from time to time, to determine that STEI's compensation for its members of the Board balances the objectives of (i) attracting and retaining highly competent and appropriate Board members, (ii) and maintaining STEI's Board costs at competitive levels. Note: Changes to Board remuneration is the sole responsibility of Ascent Group Inc. and as such, any consideration by STEI to adjust remuneration must receive approval at the AGI level.

#### Governance Culture

The Board must use its best efforts to establish and sustain amongst all Directors a culture which incorporates the following values, and convictions:

- a) acceptance of the Board's accountability for STEI's performance;
- b) the conviction that Directors owe each other their best efforts in carrying out their duties and exercising their authority;
- c) upholding the trust of the sole Shareholder with due regard to the interests of all stakeholders;
- d) recognizing the importance of solidarity ("the board speaks only with one voice") when decisions are taken;
- e) practicing personally, and within the Board, the accountabilities that are demanded of executives and employees;
- f) insisting on the highest level of honesty, openness and integrity in all actions of the Board, Management and employees of STEI; and

- g) encouraging and fostering conditions which build and enhance trust and respect amongst all of the Directors.
- h) commitment to maintaining confidentiality of the Board and in-camera sessions (i.e., no external communications unless agreed to by the Board).

*Adopted by the STEI Board December 14, 2012*

## Attachment 11 of 20

### Code of Conduct



		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Code of Conduct	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: July 2008; Jan. 2013	Approved by Board (as required): 09/08; 01/13; 06/13; 12/13	Issue Date: Sept. 2008	Revision Date: Oct. 2013	Page 1 of 4

Ascent Group Inc. and its affiliates (hereinafter the “Boards”) are committed to managing compliance obligations in a proactive, ongoing and responsible manner.

## 1. PURPOSE

This policy outlines the code of conduct framework which serves as the boards’ foundation for good governance and due diligence requirements and standards.

## 2. DEFINITIONS

2.1. **Compliance** is defined as the provision of services and resources that facilitates the Boards identifying and meeting its obligations whether they arise from:

- Relevant legal requirements;
- Relevant regulatory requirements;
- Industry codes, standards or practices;
- Government policies, guidelines, directors or procedures; or
- The Boards’ policies, procedures and processes.

The framework aims to prevent and where necessary, identify and respond to non-compliance with laws, regulations, codes or organizational standards.

The Boards understand that compliance with obligations will work to enhance and ensure the Boards’ and the Corporation’s profiles and reputations as good corporate citizens.

2.2. **Codes** include industry codes with which the Corporation and Boards must comply. This may be, for example, with internal code of conduct policy guidelines, Affiliate Relationship Code, etc.

2.3. **Organizational standards** are any codes of ethics, codes of conduct and good practices that the Corporation deems to be appropriate standards for its day-to-day operations.

## 3. TO WHOM THE POLICY APPLIES

Management of the Corporation and its Directors are responsible to understand, promote and be responsible for compliance with all obligations applicable to their activities. These responsibilities are reflected in Management performance objectives and the Boards’ Code of Conduct policies, respectively.


## 4. EFFECTIVE & EFFICIENT COMPLIANCE

Achieving effective and efficient compliance requires commitment and leadership from the Boards, CEO and Management. Mirroring the Corporation’s commitment to compliance, the Boards will ensure all Directors understand and adhere, at all times, to:

- 4.1. applicable laws, regulations, codes and organizational standards; and
- 4.2. policies and guidelines governing the management and conduct of the Boards of Directors.





		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Code of Conduct	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: July 2008; Jan. 2013	Approved by Board (as required): 09/08; 01/13; 06/13; 12/13	Issue Date: Sept. 2008	Revision Date: Oct. 2013	Page 2 of 4

## 5. CONDUCT

It is expected that Directors will act appropriately in the course of meetings pertaining to the Board, or interaction outside of the Board setting wherein the Director is representing the Company's interests. Directors will:

- 5.1. Promote and actively demonstrate solid principles of ethics and morality;
- 5.2. Ensure they have prepared themselves by reading and understanding Board materials;
- 5.3. Declare conflicts of interests (ref. *Conflict of Interest Policy*);
- 5.4. Actively engage in frank, open and honest discussions for the Corporate good;
- 5.5. Be prepared to exercise critical thinking; and
- 5.6. Act in a reasonable and fair-minded manner; taking into consideration the views of others.

## 6. IMPLEMENTATION

The key elements of the compliance program include:

### 6.1. IDENTIFICATION OF OBLIGATIONS & COMPLIANCE ISSUES

The Corporation will ensure it has systems in place to provide timely advice to the Boards of relevant changes to laws, regulations or codes.

### 6.2. RESPONSIBILITY FOR COMPLIANCE

In accordance with the Code of Conduct and principle of diligence, all Directors and staff will be conscientious in seeking to comply with relevant obligations in the course of their duties.

Compliance related to duties and responsibilities under this policy will be reflected in annual Director Peer Reviews and Management Performance Evaluations.

## 7. PERFORMANCE MONITORING & REPORTING


All compliance failures will be reported, and the compliance program will be consistently enforced.

If a Director (or officer) of the Corporation is concerned that another Director has breached compliance, the Director (or officer) must immediately bring his/her concern to the other Director's attention and request that the breach be declared. If the other Director refuses to declare the breach, the Director (or officer) must immediately bring his/her concern to the attention of the board Chair (or the Board Vice-Chair if the Board Chair is unavailable or if the Director refusing to declare is the Board Chair). Reference Appendix A, *Notice of a Board Member's Breach of Code of Conduct Compliance*.

## 8. BREACH COMPLAINTS PROCESS

Wherever possible, concerns will be addressed through an informal approach prior to escalating the situation to formal action.



		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Code of Conduct	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: July 2008; Jan. 2013	Approved by Board (as required): 09/08; 01/13; 06/13; 12/13	Issue Date: Sept. 2008	Revision Date: Oct. 2013	Page 3 of 4

### 8.1. Informal Process

Step 1: When a Board member has an issue with another member, they will speak with that member to attempt resolution. Should a resolution not be achieved, Step 2 would be initiated.

Step 2: The concerned Board member will speak with the Chair (and CEO) to discuss the concern. The Chair and CEO would then have a “fireside chat” with the individual in an attempt to resolve the concern outside of the formal process. The Chair and CEO would then follow-up with the concerned member. Should the concerned member not see a change in the behavior after some time has elapsed, then they are free to move to the formal stage of documenting and submitting the concern to the Chair and CEO for discussion.

### 8.2. Formal Process

It will be the responsibility of the Board to appoint an independent sub-committee to review the alleged breach of compliance. For clarity, issues raised (excluding those involving GNC members) would be submitted to the GNC for consideration and recommendation to the AGI Board. Resolution and resultant recommended direction will be reported to the Board as a whole for consideration and discussion.

Depending upon the severity of the breach, the Director associated with the alleged breach may be suspended from Board activities until such time as a resolution has been reached.

## 9. REFERENCES

- 9.1. *Ontario Business Corporations Act (OBCA)*
- 9.2. Board Member Roles & Responsibilities Policy
- 9.3. Charter of the Boards of Directors and its Committees



		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Code of Conduct	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: July 2008; Jan. 2013	Approved by Board (as required): 09/08; 01/13; 06/13; 12/13	Issue Date: Sept. 2008	Revision Date: Oct. 2013	Page 4 of 4

## APPENDIX A

### NOTICE OF A BOARD MEMBER'S BREACH OF CODE OF CONDUCT COMPLIANCE (Formal Process)

WHEREAS the Board *Code of Conduct Policy* of Ascent Group Inc. and its affiliates,  
THE UNDERSIGNED hereby confidentially notifies you that \_\_\_\_\_, who is a director of  
the Board of AGI or its affiliate, may have breached compliance (as described below) in respect to  
prescribed guidelines.


General Description of the Breach:	
Complainant <i>(please print)</i>	
Signature	
Date	

*Please enclose in a sealed envelope and forward to the attention of the CEO and Chair of the Board (or designate should the matter involve the Chair).*

## Attachment 12 of 20

### Conflict of Interest



		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Conflict of Interest	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: April 2008; Jan. 2013	Approved by Board (as required): Sept. 2008; Jan. 2013	Issue Date: Sept. 2008	Revision Date: Jan. 2013	Page 1 of 5

Directors may have a number of relationships that will put them in a position of conflict or give rise to an obligation to disclose details of a relationship.

## 1. GENERAL RULES

- 1.1. All directors have an obligation to act in the best interests of the Corporation. Every director must avoid any situation in which there is an actual or apparent conflict of interest which could appear to interfere with the director's judgment in making decisions in the Corporation's best interests. (An "apparent conflict of interest" means any situation where it would appear to a reasonable person that the director is in a conflict of interest situation.)
- 1.2. Directors must be constantly aware of the need to avoid situations that might result in either an actual or an apparent conflict of interest. Accordingly, directors must at all times abide by the requirements set out in these Guidelines.
- 1.3. In general, a conflict of interest exists for directors who use their positions at the Corporation to directly or indirectly benefit themselves, family members, close friends or business associates. Note that the term "Corporation" as used in these Guidelines includes the Corporation's subsidiaries and affiliates.
- 1.4. A director must not use his or her position with the Corporation to obtain a benefit for or to advance the interests of (i) himself or herself, (ii) a family member (spouse, parent, child, sibling, etc.), (iii) a business associate, (iv) a close friend, or (v) a company, partnership or other organization in which any of them has an interest.
- 1.5. A director must not take personal advantage of an opportunity available to the Corporation.
- 1.6. A director must not put himself or herself into a position where he or she owes conflicting duties to another company or organization – where the director cannot discharge his or her obligations to one of them without acting against the interests of the other.
- 1.7. The strict rules against conflicts of interest apply even if the Corporation is not harmed and even if the director in question does not gain any personal advantage.
- 1.8. Note that these rules would not prohibit the Corporation's shareholder (the City) from having representatives on the Board or from looking after its legitimate interests.

Although an individual can serve both as a City Councilor and as a director of one or more of the Ascent Group Inc. companies, he/she will be required to disclose the nature and extent of his/her interest in any material contract or transaction entered into or proposed to be entered into between the City and Ascent Group Inc. or any of its affiliates. Such a director is permitted to participate in discussions or vote on such contract or transaction; however, this will not relieve such director from the obligation to ensure that such contract or transaction is fair and reasonable to Ascent Group Inc. or the affiliate in question at the time it is approved.

A director's duty is owed to the Corporation and may not be compromised by other relationships the director may have. The director has a fiduciary responsibility to the Corporation, rather than to a particular Shareholder or other constituency.




		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Conflict of Interest	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: April 2008; Jan. 2013	Approved by Board (as required): Sept. 2008; Jan. 2013	Issue Date: Sept. 2008	Revision Date: Jan. 2013	Page 2 of 5

## 2. DISCLOSURE

- 2.1. Under the *Business Corporations Act* (Ontario), a director of the Corporation who has an interest in an actual or proposed material contract or transaction of the Corporation must disclose in writing to the Corporation or request to have entered in the minutes of the meetings of directors the nature and extent of his or her interest.
- 2.2. For this purpose, a director may have such an interest (i) by being a party to the contract or transaction, (ii) by having a material interest in a party to the contract or transaction or (iii) by being a director, officer or employee of a party to the contract or transaction.
- 2.3. A complete copy of the relevant conflict of interest provisions is contained in the *Business Corporations Act* (Ontario).
- 2.4. The Corporation requires full disclosure to the Board of all circumstances that could reasonably be construed as a conflict of interest (whether or not they relate to a material contract or transaction). This includes both actual and potential conflicts of interest.
- 2.5. Full disclosure enables the Board to resolve unclear situations and gives an opportunity to dispose of conflicting interests before any difficulties arise.
- 2.6. A director must, immediately upon becoming aware of an actual or a potential conflict of interest situation, disclose the conflict as per Paragraph 2.1 above. This requirement exists even if the director does not become aware of the conflict until after a contract or transaction is completed.
- 2.7. If a director (or officer) of the Corporation is concerned that another director is in a conflict of interest situation, the director (or officer) must immediately bring his or her concern to the other director's attention and request that the conflict be declared. If the other director refuses to declare the conflict, the director (or officer) must immediately bring his or her concern to the attention of the Board Chair (or the Board Vice-Chair if the Board Chair is unavailable or if the director refusing to declare is the Board Chair). Reference Appendix A, *Notice of a Board Member's Conflict of Interest*.
- 2.8. A director is required to disclose the nature and extent of any conflict at the first meeting of the Board after which the facts leading to the conflict have come to that director's attention. After disclosing the conflict, the director:
  - 2.8.1. must immediately leave the meeting and not return until all discussion and voting with respect to the matter giving rise to the conflict is completed;
  - 2.8.2. must not take part in the discussion of the matter or vote on any questions in respect of the matter; and
  - 2.8.3. must not attempt, in any way or at any time, to influence the discussion or the voting of the Board on any question relating to the matter giving rise to the conflict.



		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Conflict of Interest	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: April 2008; Jan. 2013	Approved by Board (as required): Sept. 2008; Jan. 2013	Issue Date: Sept. 2008	Revision Date: Jan. 2013	Page 3 of 5

- 2.9. A director can fulfill his or her obligation to disclose a conflict of interest by giving a general written notice of his or her association with another company, firm or organization (i.e., "I should be considered to be interested in any dealings of the Corporation with Company ABC in view of my position as director and officer of that company").
- 2.10. "A person who has the status of bankrupt" (ref. OBCA Article 118. (1) 4.) is disqualified from being a director of a corporation. A director is required to promptly disclose the nature of such status and submit written notice of his or her resignation to the Board Chair and CEO.

### 3. OUTSIDE BUSINESS INTERESTS

- 3.1. Directors must declare possible conflicting outside business activities at the time of appointment or, if they arise later, as soon as possible after they arise. Notwithstanding any such outside activities, directors are required at all times to act in the best interests of the Corporation.
- 3.2. A director who accepts a position with any organization that could lead to a conflict of interest or situation prejudicial to the Corporation's interests must discuss the implications of accepting such a position with the Board Chair (or the Board Vice-Chair, if the Board Chair is unavailable or if the director accepting such a position is the Board Chair). Nonetheless, the obligation to disclose such a possible conflict of interest as per Paragraphs 2.1 and 2.6 above remains the responsibility of such director.
- 3.3. In some cases, such an outside interest may preclude a director from becoming or continuing as a director of the Corporation.

### 4. DIRECTOR ACCOUNTABILITY

- 4.1. As a general rule, a director must account to the Corporation for all profit earned by him resulting from a material contract or transaction in which that director has an interest. This rule does not apply however, if:
- 4.1.1. the director properly discloses the conflict of interest;
- 4.1.2. the other directors subsequently approve the contract or transaction, while the director with the conflict of interest abstains from participating in the related discussion and from voting on the motion for approval; and
- 4.1.3. the contract or transaction is reasonable and fair to the Corporation at the time it was approved.
- 4.2. Directors who receive information relating to a possible corporate opportunity in their capacities as directors must account for any secret profits made by using confidential corporate information or by taking advantage of an opportunity that creates a conflict of interest and duty.
- 4.3. In some cases, a conflict of interest may preclude a director from continuing as a director of the Corporation.



		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Conflict of Interest	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: April 2008; Jan. 2013	Approved by Board (as required): Sept. 2008; Jan. 2013	Issue Date: Sept. 2008	Revision Date: Jan. 2013	Page 4 of 5

## 5. REDUCING RISK

- 5.1. Each director will be asked to review these Guidelines and acknowledge in writing his or her familiarity with them.
- 5.2. To determine whether there is a conflict of interest, a director should ask whether he or she has any reason to prefer one course of action over another which is not a reason also shared by all directors. If the answer is "yes" the conflict should be precisely identified and disclosed.
- 5.3. A director who realizes there is or may be a conflict should take steps to avoid personal liability. These steps may include obtaining advice from counsel.
- 5.4. Directors should keep notes of their own impressions of directors' meetings and should insist that the official minutes record any disclosure of conflict of interest and any dissent or abstention.

## 6. WAIVER

A waiver of any provision of this Code of Conduct may only be made by the Corporation's Board.

## 7. REFERENCES

- 7.1. *Ontario Business Corporations Act (OBCA)*
- 7.2. Board Member Roles & Responsibilities Policy
- 7.3. Charter of the Boards of Directors and its Committees





		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	Conflict of Interest	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: April 2008; Jan. 2013	Approved by Board (as required): Sept. 2008; Jan. 2013	Issue Date: Sept. 2008	Revision Date: Jan. 2013	Page 5 of 5

APPENDIX A

Notice of a Board Member's Conflict of Interest in Respect of  
a Matter to be Heard at a Meeting of the Board

WHEREAS the *Conflict of Interest Policy* of AGI and its affiliates, as well as applicable law, provide (i) that a director who has a direct or indirect financial interest or other conflict of interest in any proposed material contract or transaction must disclose such interest to the Board, and (ii) that where such matter is brought before the Board, such interested director must leave the meeting and must not vote or participate in any discussion in respect of such matter;

THE UNDERSIGNED hereby confidentially notifies you that \_\_\_\_\_, who is a director of the Board of AGI or its affiliate, may have a conflict of interest (as described below) in respect of a matter which has been/is to be brought before the Board at a meeting held/to be held on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

General Description of the Conflict of Interest:	
Name (please print)	
Signature	
Date	

*Please enclose in a sealed envelope and forward to the attention of the Chair of the Board (or designate should the matter involve the Chair).*

## Attachment 13 of 20

### Recruitment and Selection



Division: Corporate <input checked="" type="checkbox"/> ASI <input type="checkbox"/> AESI <input type="checkbox"/>		Policy <input checked="" type="checkbox"/> Procedure <input type="checkbox"/>		
Subject:		Recruitment & Selection – Board of Directors		
Accountability:		Ascent Group Inc. Board of Directors		
Approved by GNC: 08/2008, 10/2012		Board Approval: 09/2010; 12/2012; 12/2013	Issue Date: Sept. 2010	Revision Date: Oct. 2013
Page 1 of 3				

**1. PURPOSE**

Board selection is conducted annually, as required. Terms of office are set at two (2) years, with the exception of municipal members whose terms are consistent with their term in office.

**2. SCOPE**

This policy applies to the Board of Directors of Ascent Group Inc. and its affiliates.

**3. APPOINTMENT RESPONSIBILITY**

3.1. Recruitment and selection for Ascent Group Inc. is the responsibility of the Shareholder, the Corporation of the City of St. Thomas.

3.2. Recruitment and selection for St. Thomas Energy Inc. (STEI) and appointment to Ascent Energy Services Inc. (AESI) is the responsibility of Ascent Group Inc. (AGI), subject to Shareholder ratification.

3.3. Appointment to affiliate Operational Boards, Ascent Solutions Inc. (ASI and Ascent Renewables Inc. (ARI) is the responsibility of AESI, subject to AGI ratification.

**4. VACANCIES**

Each September, the AGI Board will review upcoming vacancies for Ascent Group Inc. and its affiliates and assess skill sets required.

4.1. AGI vacancies, and recommended skill sets required, are extended to the City of St. Thomas to initiate the municipality's recruitment and selection process.

4.2. AGI appoints the Governance & Nominating Committee (GNC) to commence recruitment and selection for the STEI Board. For clarity, in those years where GNC members are putting their names forward for reappointment, the AGI Board will appoint alternates to the Selection Committee (at least one from the AGI and STEI boards) where required.

4.3. Appointments to AESI considered by the AGI Board are submitted to the Shareholder for ratification.

4.4. Appointments to Operational Boards ASI and ARI considered by AESI are submitted to AGI for ratification.

**5. SELECTION CRITERIA**

In view of the importance to AGI and its affiliates, the City and the community whom we serve, the increasingly complex nature of our business and the increasing high levels of public and media scrutiny, it is essential that the Boards of Directors be composed of highly qualified and respected individuals who are knowledgeable with respect to the challenges facing them and whose commitment to the interests of the Corporation is beyond reproach.



		Division:	Corporate <input checked="" type="checkbox"/> ASI <input type="checkbox"/> AESI <input type="checkbox"/>	Policy <input checked="" type="checkbox"/> Procedure <input type="checkbox"/>
		Subject:	Recruitment & Selection – Board of Directors	
		Accountability:	Ascent Group Inc. Board of Directors	
Approved by GNC: 08/2008, 10/2012		Board Approval:	09/2010; 12/2012; 12/2013	Issue Date: Sept. 2010
				Revision Date: Oct. 2013
				Page 2 of 3

- 5.1. As a result, each nominee to the Board of Directors of the Corporation must possess the following qualities/characteristics:
  - 5.1.1. Canadian Citizen, over 18 years of age;
  - 5.1.2. Honesty, intelligence, sound judgment, high ethical standards and high standards of integrity, fairness and responsibility;
  - 5.1.3. Financial literacy;
  - 5.1.4. Understanding of the fiduciary duties of a Director;
  - 5.1.5. Understanding the role of the Corporation in the City and local Community;
  - 5.1.6. Demonstrated involvement within the community;
  - 5.1.7. Capability and willingness to attend and contribute to the Board on a regular basis;
  - 5.1.8. Well developed listening, communicating and influencing skills to actively participate in board discussions and debate; and
  - 5.1.9. Independence (including freedom from conflict of interest).
- 5.2. In addition, nominees must possess one or more of the following core competencies:
  - 5.2.1. Accredited Post Secondary School Education;
  - 5.2.2. Strong business background in legal, marketing and/or human resources; or
  - 5.2.3. Strong financial background including financial oversight experience.
- 5.3. Preference will be given to candidates who possess the following competencies:
  - 5.3.1. Managerial experience in both the private and public industry, in a unionized environment;
  - 5.3.2. Utility experience;
  - 5.3.3. Previous board experience, including corporate governance, with a for-profit company with at least a \$5M budget;
  - 5.3.4. Previous board sub-committee experience on a for-profit company;
  - 5.3.5. Strategic planning experience;
  - 5.3.6. Ontario Business Corporations Act knowledge;
  - 5.3.7. Public policy or government relations experience; and
  - 5.3.8. Understanding of Industry government regulations.
- 5.4. Given the skill sets that may be required for the Boards at any given time, consideration will be extended to candidates who reside outside of the St. Thomas city limits.

## 6. BOARD SELECTION COMMITTEE (GNC)

Immediately following the September meeting, the GNC will meet as soon as practicable to:

- 6.1. Extend an invitation to outgoing Directors and outline the reapplication process;
- 6.2. Define skill sets required for the coming term based on Board operational requirements;
- 6.3. Recruit and interview prospective candidates, utilizing newspaper advertisements and/or actively seeking out individuals based on required skill sets;



	Division:	Corporate <input checked="" type="checkbox"/> ASI <input type="checkbox"/> AESI <input type="checkbox"/>		Policy <input checked="" type="checkbox"/> Procedure <input type="checkbox"/>		
	Subject:	Recruitment & Selection – Board of Directors				
	Accountability:	Ascent Group Inc. Board of Directors				
Approved by GNC: 08/2008, 10/2012	Board Approval: 09/2010; 12/2012; 12/2013	Issue Date: Sept. 2010	Revision Date: Oct. 2013	Page 3 of 3		

6.4. Conduct background checks prior to formalizing appointment recommendations;

6.5. Submit STEI appointment recommendations to the AGI Board.

## 7. RATIFICATION OF APPOINTMENTS

7.1. Once approved by AGI, appointments to the STEI and AESI Boards will be ratified by the Shareholder. Following ratification, AGI will:

7.2. Formally confirm appointments to successful and unsuccessful candidates;

7.3. Update STEI on the result of the Recruitment & Selection process; and

7.4. Arrange orientation of incoming Directors.

7.5. AESI's appointments to Operational Boards ASI and ARI, will be ratified by AGI.

## Attachment 14 of 20

### Role and Responsibilities-Chair STEI

## ST. THOMAS ENERGY INC. (STEI) JOB DESCRIPTION – CHAIR OF THE BOARD

### 1. GENERAL RESPONSIBILITIES

In addition to regular duties of an individual Director, the Chair of the Board (“Chair”) of St. Thomas Energy Inc. (STEI) is responsible for facilitating highly effective performance by the Board of Directors (“Board”) of STEI. The Chair is not an executive of STEI in the sense that the Chair is not responsible for the operational management of any aspect of STEI’s business.

*The Chair is the voice of the Board in communications with the Chief Executive Officer (“CEO”).*

In discharging his/her responsibility, the Chair will (i) provide leadership to the Board on specific issues and, in particular, on the development of the STEI strategic plan and implementation of the Board Charter, (ii) act as a servant to the Board in meeting Board requirements, (iii) in accordance with the direction of the Board, act as the spokesperson for the Board on Board-related matters and in communications with the CEO (iv) at the request of the Board and/or the CEO of STEI, act as an intermediary between the Board and the CEO, (v) at the request of the Board and/or the CEO, provide counsel to the CEO; and (vi) as an officer of the organization, act in accordance with the financial policies of STEI.

In the absence of the Chair or Vice Chair, the Board members present shall appoint an Acting Chair.

### 2. SPECIFIC RESPONSIBILITIES OF THE CHAIR

Without limiting the generality of the responsibility of the Chair as described in Section 1 above, the Chair shall, in addition to his/her regular duties as a Director of the Board:

#### 2.1. Pre-Board Meeting Mechanics

- 2.1.1. In consultation with the CEO, set a draft schedule of the number and timing of Board meetings each year so as to enable the Board to deal on a timely basis with all matters for which the Board is responsible and with which the Board as a whole chooses or is obliged to deal;
- 2.1.2. poll Board Members at least 10 calendar days in advance of each meeting and seek their input as to possible agenda items;
- 2.1.3. after consulting with the CEO and Corporate Secretary, establish the agenda for each Board meeting with a view to bringing before the Board (i) matters with which the Board wishes or is obliged to deal (as specified in the Charter of the Board), (ii) matters in respect of which management requires or wants Board approval; (iii) recurring agenda items which have been specified in governance documents of STEI (e.g. strategy update);
- 2.1.4. use his/her best efforts to provide or to cause to be provided to the Board, within a reasonable timeframe in advance of each Board meeting (e.g. 7 calendar days), all reasonably required and available information relating to each matter to be dealt with by the Board at that meeting;

- 2.1.5. where, in the Chair's opinion, the subject matter and expected duration of a Board meeting or the particular circumstances of a member of the Board (a "Director") would so warrant, encourage a Director or Directors to participate in the meeting by means of telephone, teleconference, videoconference or other methodology by which Directors participating in the meeting are able to speak to and be heard by each other;
- 2.1.6. approve the general nature and length of all presentations to be made at each Board meeting;
- 2.1.7. prior to any Board meeting, confer with one or more Directors on any matter to be discussed at the Board meeting if, in the Chair's opinion, the discussion of that matter at the Board meeting would probably be thereby enhanced;
- 2.1.8. act as a sounding board for the CEO's ideas;
- 2.1.9. consult with and constructively engage with the CEO with respect to achieving the responsibilities of the Board;
- 2.1.10. be involved in the preparation of the Board's own annual operating budget; and
- 2.1.11. grant approval to a Director who is requesting to be absent from a regularly scheduled meeting.

## **2.2. Conduct of Board Meetings**

- 2.2.1. act as the Chair of each Board meeting;
- 2.2.2. facilitate and mediate Board discussions and decision makings;
- 2.2.3. facilitate and optimize the constructive involvement and participation of all Board Members;
- 2.2.4. keep the Mission, Vision, Values, Objectives and strategic priorities/initiatives of STEI foremost and use them as a template/screen for all Board agendas and work plans;
- 2.2.5. conduct the business of each Board meeting in a manner which will normally result in the meeting's agenda being completed and dealt with effectively;
- 2.2.6. propose the termination of discussion on any matter at a Board meeting when he/she is of the opinion that (i) the matter has been thoroughly canvassed and that no new points of view or information are being presented; or (ii) the matter falls outside the scope of the agreed upon Charter of the Board.
- 2.2.7. attempt to achieve a consensus of Directors on any matter discussed at a Board meeting in respect of which (i) the Board's decision, views or counsel has been requested or is required, and (ii) Directors express conflicting positions, views or counsel; where consensus is not available, the Chair will be guided by Robert's Rules of Order;
- 2.2.8. ensure that all Directors who wish to address a matter at a Board meeting are afforded a reasonable opportunity to do so;



- 2.2.9. in any case where a Director (the “conflicted Director”) has an interest or potential conflict in respect of a matter to be discussed at a Board meeting, attempt to arrange for the conflicted Director to excuse himself/herself from all or a portion of the Board discussion of that matter if the Chair is of the opinion that the Board discussion of that matter would probably be enhanced by the absence of the conflicted Director; and
- 2.2.10. call special meetings of the Board when necessary.

### **2.3. Board Culture**

- 2.3.1. The Chair shall use all reasonable effort to promote and support a Board culture characterized by:
- the Board's acceptance of its accountability for the performance of STEI;
  - the acceptance by each Director of his/her responsibility to use his/her best efforts in carrying out his/her duties as a Director;
  - the Board's insistence on the highest level of integrity and honesty in the actions of the Board and management;
  - respect and trust amongst Directors;
  - the open and timely sharing of all relevant information amongst all Directors;
  - acceptance by all Directors of the right of every Director to hold and express dissenting opinions;
  - a genuine commitment by Directors to good governance practices; and
  - a willingness on the part of Directors to function as a team;
- 2.3.2. The Board Chair shall set a high standard for Board conduct by modeling, articulating and enforcing rules of conduct found in STEI by-laws, Board charters and other policies related to conflict of interest and Board confidentiality;

## **3. BOARD COMPOSITION, EDUCATION AND COMPENSATION**

- 3.1. In co-operation with rest of the Board (or with the Governance and Nominating or Compensation Committees of the Board), the Chair shall:
- 3.1.1. arrange for management of STEI to provide newly elected Directors with a comprehensive orientation and education program with respect to STEI and its businesses;
- 3.1.2. design and implement processes for evaluating the performances of the Board and individual Directors;
- 3.1.3. use reasonable effort to cause the Board to be made aware on a timely basis of changes in the law and/or best practice respecting the duties of the Board and Directors;
- 3.1.4. seek feedback on his/her performance as Board Chair; and
- 3.1.5. make recommendations regarding the continuing education of Board Members.

### **3.2. Board Committee Matters**

With respect to Board Committees, the Chair shall:

- 3.2.1. recommend to the Board (or assist the Governance and Nominating Committee in recommending to the Board) the participation of STEI members on Board Committees as may be requested by the Ascent Group Inc. Board from time to time;
- 3.2.2. regularly review (or assist the GNC and the other committees of the Board in regularly reviewing) the Charters of all Board committees with a view to recommending to the Board appropriate amendments to the committees' Charters;
- 3.2.3. regularly review (or assist the GNC in regularly reviewing) the Charter of the Board with a view to recommending to the Board appropriate amendments to the Board's Charter;

#### **4. MISCELLANEOUS MATTERS**

- 4.1. at the request of any Director, meet or be available for discussion with that Director between meetings of the Board;
- 4.2. act as Chair at all general and annual meetings of STEI;
- 4.3. oversee the activities of the person who performs the functions of the CEO of STEI;
- 4.4. coach and mentor any identified successor Chair;
- 4.5. represent the Board at industry events, conferences, association meetings or other designated events; and
- 4.6. perform such other functions as the Board may specify from time to time.

*Adopted by the STEI Board December 14, 2012  
Amendments confirmed by the AGI Board June 19, 2013*

## Attachment 15 of 20

### Role and Responsibilities-Director STEI

# ST. THOMAS ENERGY INC. (STEI)

## JOB DESCRIPTION – INDIVIDUAL DIRECTOR

### 1. THE STEI DIRECTOR'S JOB DESCRIPTION, BROADLY DEFINED

The primary duties of a Director of the Ascent Group Inc. ("STEI") are (i) to contribute *consistently and meaningfully to the effective performance of the Board of Directors* ("Board") of STEI; and (ii) to constructively engage with the CEO to improve the performance of STEI.

In discharging his/her duties, a Director must:

- 1.1. act honestly and in good faith with a view to the best interests of STEI;
- 1.2. exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- 1.3. respect and adhere to board confidentiality;
- 1.4. demonstrate commitment to the strategy of STEI;
- 1.5. adhere to the STEI Code of Business Conduct as well as to other applicable codes, such as the STEI Director Conflict of Interest and Conduct Guidelines.

### 2. SPECIFIC DUTIES OF A STEI DIRECTOR

Without limiting the generality of the primary duty of a Director as described in Section 1 above, a Director shall:

#### 2.1. Qualifications and Preparedness

- 2.1.1. prepare for meetings and read in advance all of the materials provided to Directors of the Board and Committees of the Board;
- 2.1.2. develop and maintain the ability to appreciate the financial implications of strategies, tactics and transactions proposed by management of STEI;
- 2.1.3. develop and maintain a reasonable knowledge of those segments of the businesses within which STEI operates;
- 2.1.4. understand and respect the differences between the Board's job (as specified in the Charter of the Board) and the job of Management at STEI;
- 2.1.5. understand and contribute to the evaluation, choice and achievement of STEI's strategy (as defined in the Charter of the Board); and
- 2.1.6. request, where appropriate, information that will allow the director to properly participate in deliberations, make informed business judgments and exercise effective oversight.

#### 2.2. Values and Commitment

- 2.2.1. be demonstrably committed to the success of STEI;
- 2.2.2. be demonstrably committed to the strategy and values of STEI;
- 2.2.3. be demonstrably committed to honesty and integrity in the conduct of STEI's affairs; and

- 2.2.4. accept accountability, jointly with the rest of the Board, for the performance of the Board and STEI.

### **3. RESPONSIBILITIES**

- 3.1. make available his/her knowledge and experience for the benefit of STEI;
- 3.2. consistently use his/her best efforts in discharging his/her duties as a Director of STEI;
- 3.3. consistently evaluate Board decisions and proposed actions in the context of the STEI's strategy;
- 3.4. review and evaluate management's recommendations and proposals to the Board in to order to obtain reasonable assurance that what is being proposed is plausible;
- 3.5. demonstrate and encourage innovative thinking;
- 3.6. accept an appointment to a Board committee, when asked;
- 3.7. understand and accept that the STEI Board speaks with one voice and that no one individual member speaks for the Board unless specifically designated to do so.
- 3.8. refer all media/staff questions related to STEI to the CEO or his/her designate.
- 3.9. help identify, recruit and mentor new board members;
- 3.10. get to know other Board members and members of Management; and
- 3.11. participate in a self-evaluation of the Board and individual members.

### **4. STYLE**

- 4.1. apply a collaborative approach to decision-making by the Board and Board committees;
- 4.2. be economical with his/her words and the time of the Board and Board committees;
- 4.3. encourage open and candid discussion of the real issues at meetings of the Board and Board committees;
- 4.4. listen to and be respectful of the views of other Directors and members of Management;
- 4.5. be prepared to express honest disagreement with the views of Management and other Directors;
- 4.6. question and probe all relevant Management and Board decisions (as specified in the Charter of the Board) in a positive and constructive manner;
- 4.7. be willing to change his/her mind in appropriate circumstances;
- 4.8. attempt to reconcile and integrate various points of view;
- 4.9. generally only seek to "approve or reject" management recommendations and refrain from directing or instructing Management to pursue alternative options or particular courses of action which Management has not specifically proposed;

- 4.10. direct any concerns about individual Board members first to the Board Chair for resolution and subsequently, if necessary, to the Chair of the Governance and Nominating Committee (“GNC”); and
- 4.11. direct any concerns about the Board Chair preferably first to the Board Chair for resolution or, alternatively, to the Chair of the GNC.

## **5. TIME COMMITMENT**

- 5.1. Attend all regularly scheduled meetings of the Board and meetings of Board committees of which he/she is a member, unless excused by the Chair (the Chair’s absence would be excused by the Vice-Chair);
- 5.2. regularly arrive on time; and
- 5.3. regularly remain at Board and Board committee meetings until the meetings end.

## **6. DIRECTOR TERMINATION AND RESIGNATION**

A Director whose annual evaluation shows that he or she has not satisfactorily carried out his/her Specific Duties as specified in Section 2 and who refuses to undertake corrective action shall be deemed to be in breach of his/her fiduciary duties and will be considered for disqualification from continuing to serve as a Director.

A Director who is found to be in breach of the Time Commitments as specified in Section 5 above shall be deemed to be in breach of his/her fiduciary duties and will be considered for disqualification from continuing to serve as a Director.

*Adopted by the STEI Board December 14, 2012*

## Attachment 16 of 20

### Training and Development, Director



		BOARD GOVERNANCE POLICY MANUAL		
		Subject:	DIRECTOR EDUCATION & DEVELOPMENT	
		Accountability:	Governance & Nominating Committee (GNC)	
Approved by GNC: Mar. 12, 2013	Approved by Board (as required): March 27, 2013	Issue Date:	Revision Date: Mar. 2013	Page 1 of 1

**1. PURPOSE**

The Board values best practices of corporate governance and strives to maintain and adopt policies which shall allow it to act with maximum effectiveness. The Board recognizes that continuing education is an essential tool and a key strategic driver of Board success.

**2. ORIENTATION**

Orientation activities are designed to be results-oriented, interactive and relevant to the needs of new Director(s). Orientation will be scheduled as soon as practical following the new Director's appointment to ensure they fully understand:

- The nature and operation of the Corporation's business;
- The role of the Board and its Committees;
- The contribution and expectations of each Director; and
- The laws governing its operations.

**3. CONTINUING EDUCATION & DEVELOPMENT**

The Board is responsible for ensuring Directors are provided with continuing education opportunities. Each Director shall assess his/her development needs annually during the Board evaluation process and inform the Chairperson of the Board and Chief Executive Officer of his/her development requirements.

Working with the Chief Executive Officer, the Board is responsible to manage training within approved budgets to facilitate development opportunities through internal or external means as appropriate.

**4. DEVELOPMENT EXPENSES**

Costs of attending approved conferences or programs are provided by the Corporation (e.g., registration, travel, meals and accommodations), with approval of the Chief Executive Officer and Board Chair. All requests for reimbursement must be accompanied by original receipts.

Knowledge sharing forms an integral part of the learning process. As such, it is recommended Directors submit a written report to the Board as soon as reasonably practicable in an effort to share pertinent industry or educational knowledge gained.



## Attachment 17 of 20

### Work Plan-STEI

## Board Work Plan & Agenda Schedule



a division of **Ascent**

The following pages list the responsibilities and activities required to be carried out by the Board – ***as specified in the Board Charter.*** The purpose of this document is to determine at which meetings of the Board these activities will be performed. It is important to note that some activities will be done at every meeting while others may only be completed once each Board year – or longer.



ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GOI NG
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
6.	All members of the Board exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.										X
7.	The Board accepts accountability to the sole shareholder of STEI, the City of St. Thomas. – GNC										X

	<b><u>Financial Reporting &amp; Disclosure</u></b>										
	<i>Gain reasonable assurance that:</i>										
8.	STEI complies with all <b><i>financial reporting and disclosure obligations</i></b> imposed on STEI by applicable laws, regulations, rules, policies and other requirements imposed by governments, regulators and applicable professional societies – AC			X							X
9.	The Board has reviewed and provided annual guidance to Management about its financial policies, strategies and transactions requiring Board review.							X		X	
10.	STEI's annual and interim financial statements present fairly STEI's financial position, the results of its operations and its cash			X							X

ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GOI NG
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
	flows in accordance with Canadian GAAP/IFRS. – AC										
11.	STEI's annual financial statements are audited and reported on by a firm of chartered accountants which is objective and independent. – AC			X							
12.	Material financial information concern STEI is disseminated to the Shareholder in a timely manner and all financial information is accurate, complete and fairly represented.			X							X
13.	The Board has adopted appropriate policies governing STEI's hiring of partners, employees and former partners and employees of the present and any former external auditor. – AC										X
	<b><u>Business Planning</u></b>										
	<i>Gain reasonable assurance that:</i>										
14.	The Board has developed, in conjunction with the CEO, an appropriate strategic plan which STEI intends to pursue.							X		X	

[illegible][illegible]

[illegible][illegible]

[illegible]



ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GO- ING
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
30.	The CEO is a person capable of managing the business and affairs of STEI in a manner which will enable STEI to achieve the Business Plan (and that the Board is prepared to discharge the CEO when the Board believes he/she is no longer capable of doing so). – GNC										X
31.	Review the CEO's appointment of all other Senior Managers and officers of STEI										X
32.	Establish and annually approve the criteria against which the performance of STEI will be evaluated for the purpose of receiving any compensation adjustments. – GNC/CC								X		
33.	Participate in the annual performance review of the CEO against the performance criteria approved by the Board. – CC								X		
34.	Review and approve the criteria recommended by the CEO against which the performance of other members of Senior Management will be evaluated for the purpose of receiving any compensation adjustments. - CC								X		
35.	Provide the CEO with the Board's views on the performance of those staff members whose work helps support the activities of								X		X

ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GOI NG
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
	the Board. – GNC										
	<i>Review and Approve:</i>										
36.	The human resources policies and procedures of STEI and any significant changes in them.										X
37.	The annual compensation guidelines for employees.									X	
38.	Organization-wide benefit policies as well as general terms and conditions of employment of STEI.									X	X
40.	Review the CEO's report to the Board annually summarizing the results of his/her subordinate performance evaluations. – GNC									X	
41.	Review annually the implementation of the evaluation, planning and development processes that focus attention on Management succession within STEI.							X			
42.	Review the results of employee surveys as necessary.										X
43.	Gain reasonable assurance that the risks associated with human resource activities of STEI have been identified and review							X			X

[illegible][illegible]

[illegible]



ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GOI NG
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
59.	The number of Directors constituting the Board facilities effective decision-making by the Board. – GNC	X									X
60.	As part of regularly scheduled meetings of the board, the Board holds separate in-camera meetings of the Directors at which no member of Management or ex-officio attendees are present. – GNC										X
61.	The Board has adopted AGI's approach to Corporate Governance, including an appropriate set of <i>Corporate Governance Principles and guidelines specifically applicable to STEI</i> . – GNC										X
62.	The board has identified the appropriate competencies and skills which the Board should possess as a whole. – GNC					X					X
63.	The Board has appropriately identified the competencies and skills which each existing Director possesses. – GNC					X					X
64.	The Board has recommended to the Shareholder the criteria, competencies and skills that would make individuals <i>qualified</i> to become new Directors and has recommended those qualified (i) as nominees for election to the Board, or (ii) for appointment by						X	X			X

ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GOI NG
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
	the Board to fill casual vacancies in the Board. – GNC										
65.	The Board has appointed and maintains committees necessary to assist the board in discharging its duties. – GNC	X									X
	<i>Gain reasonable assurance that appropriate written mandates/position descriptions/charters for:</i>										
66.	The Chair of the Board – Chair & GNC								X		
67.	The Vice-Chair of the Board – Vice-Chair & GNC								X		
68.	The Chairs of Board Committees – Committee Chairs & GNC								X		
69.	Individual Directors – GNC								X		
70.	The Board of STEI – GNC								X		
71.	The Governance Committee of the Board – Board Chair & GNC								X		
72.	The CEO of STEI – CEO & GNC								X		
	<i>Gain reasonable assurance that <u>appropriate processes have been developed and implemented</u> for regularly assessing:</i>										

ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GOI NG
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
73.	The effectiveness of the Board, taking into account the Board's written mandate. GNC								X		X
74.	The effectiveness of the Chair of the Board, the Vice-Chair of the Board and the Committee Chairs taking into account their position descriptions. – GNC								X		
75.	The effectiveness and contribution of each Board Committee, taking into account such Committee's mandate. – GNC								X		
76.	The effectiveness and contribution of each individual Director, taking into account the position description for the individual Director as well as the competencies and skills which such Director is expected to bring to the Board. – GNC								X		
	Gain reasonable assurance that each prospective and new Director is engaged in an appropriate orientation process that helps them to fully understand:										
77.	The role of the Board and all Board Committees. – GNC										X
78.	The contribution that every Director is expected to make in governing STEI, including the commitment of time and energy								X		X



[illegible]

ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GOI NG
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
	Director of STEI. – GNC										
82.	STEI's compensation for its members of the Board balances the objectives of (i) attracting and retaining highly competent and appropriate Board members and (ii) maintaining STEI's Board costs at competitive levels. – CC										X
83.	The Board has appropriately delegated the authority to perform any of the above mentioned tasks (63-91) or any others to the Committees of the Board. – Board										X

	<b><u>Governance Culture</u></b>  <i>Gain reasonable assurance that the Board has established appropriate policies and procedures to encourage, create and sustain among all Directors:</i>										
84.	The acceptance of the Board's accountability for STEI's performance. – GNC		X								X
85.	The conviction that Directors owe each other their best efforts in		X								X

ACTIVITY OR RESPONSIBILITY  (Note: Delegated Committee to be specified if applicable)		STEI BOARD OF DIRECTORS MEETINGS									
		JAN	FEB	MAR	JUN		SEP		NOV	DEC	ON- GOI NG
		INA UG	JOIN T	AUD IT	STEI	JOIN T	STEI	JOIN T STR AT PLA N	EVA LS (no mtg)	BUD GET	
	carrying out their duties and exercising their authority. – GNC										
86.	The commitment to uphold the trust of the sole Shareholder with due regard to the interests of all stakeholders. – GNC		X								X
87.	The recognition of the importance of Board solidarity (i.e., <u>the Board only speaks with one voice</u> ) when decisions are taken. – GNC		X								X
88.	The commitment to practice personally – and within the Board – the accountabilities that are demanded of executives and employees of STEI. – GNC		X								X
89.	The highest level of honesty, openness and integrity in all actions of the Board, Management and employees of STEI. – GNC		X								X
90.	The commitment to encourage and foster conditions which build and enhance trust and respect amongst all of the Directors. - GNC		X								X

Key: GNC – Governance & Nominating  
Committee

## Attachment 18 of 20

### Meeting Schedule-2013

# ASCENT GROUP INC. & AFFILIATE BOARDS OF DIRECTORS

## Approved 2013 Meeting Schedule

*Revised May 2013*



	Date / Function	Ascent	STEI	AESI	Operational Boards	
					Solutions	Renewables
JAN 7	Shareholder "Mix & Mingle"					
JAN 16	Inaugural	10:30 am	7:30 am	9:00 am		
MAR 21* (Thurs)	Inaugural				8:10	8:00
	ARI Shareholder AGM			8:30 am		
MAR 27	Audit	10:30 am	7:30 am	9:00 am		
APR 22	Shareholder AGM	6 pm				
May 2	Joint Board Governance Training	9:00 am – 12:00 pm – all Boards				
JUNE 13*	(*Thursday)		8:00 am	9:00 am		
JUNE 19		7:30 am				
	Joint Board Mid-year Update	9:00 am – 12:00 pm – all Boards				
JUNE 24	Shareholder Info Meeting	5:30pm				
SEPT 19*	(*Thursday)		8:00 am	9:00 am		
SEPT 25		7:30 am				
	Joint Board Strategic Planning	9:00 am – 3:30 pm – all Boards				
OCT 16	Joint Board Governance Training	9:00 am – 12:00 pm – all Boards				
OCT 22*	(*Tues.) Shareholder Info Meeting	6 pm				
NOV 27	Evaluations (CEO/Board/Chair/Cmtes)	8:00 am				
DEC 13 (Fri.)	Budget	10:30 am	7:30 am	9 am		
	Joint Board Holiday Function	6 pm – all Boards				

Approved by AGI & Affiliate Boards of Directors – Dec14/2012

Copy of Approved Schedule Distributed to:

- City Clerk's Office
- Mayor's Office
- Graham Scott Enns






## Attachment 19 of 20

### Meeting Schedule-2014



## 2014 BOARD MEETING SCHEDULE

Revised December 19, 2013

Date / Function		Ascent	STEI	AESI	Operational Boards	
					ASI	ARI
Jan. 22	<i>Special</i> STEI/AGI Joint Meeting	8:00a				
Jan. 28 (Tues)	Shareholder "Mix & Mingle"	5:00p – all Boards				
Jan. 29	Inaugural Board	10:00a	8:00a	9:00a		
Feb. 27 (Thurs)	Joint Board Governance Training	9:00a – 12:00p – all Boards				
Mar. 19	Inaugural Board / Audit				9:00a	8:00a
Mar. 26	Audit	10:30a	7:30a	9:00a		
	ARI Shareholder AGM					1:00p
Apr. 28 (Mon)	Shareholder AGM	5:30p				
June 11	Board		8:00a	9:00a		
June 18	Board	7:30a				
	Joint Board Mid-year Update	9:00a – 12:00p – all Boards				
June 23	Shareholder Information Meeting	5:30p				
Sept. 17	Board		8:00a	9:00a		
Sept. 24	Board	7:30a				
	Joint Board Strategic Planning	9:00a – 3:30p – all Boards				
Oct. 22	Joint Board Governance Training	9:00a – 12:00p – all Boards				
Nov. 26	Evaluations (Board/Chair/Cmtes/CEO/EA)	8:00a				
Dec. 4 (Thurs)	Budget	10:30a	7:30a	9:00a		
Dec. 13 (Sat)	Company Holiday Party (Board/Staff)	(time/location TBD)				

### Notes:

All meeting dates are scheduled on Wednesdays, unless otherwise stated.

Shareholder meeting during October was deferred for 2014, due to municipal elections.

### Approved Schedule Distributed to:

Mayor's Office  
City Clerk's Office  
Corporate Auditor

honesty  
attitude  
respect  
teamwork



## Attachment 20 of 20

# 2013 Management Discussion and Analysis

Date: February 28, 2014  
 To: STEI Executive  
 From: Robert Kent  
 SUBJECT: 2013 Financial Results

## 1. OVERVIEW

This document has been prepared for the purpose of providing Management's Discussion and Analysis (MD&A) of St. Thomas Energy Inc.'s (STEI) financial position and results of operations as at and for the twelve month period ended December 31, 2013. The MD&A should be read in conjunction with the financial statements.

## 2. MANAGEMENT DISCUSSION

### GENERAL

STEI distributes electricity in St. Thomas. The business is regulated by the Ontario Energy Board ("OEB") which has broad powers relating to licensing, standards of conduct and services and the regulation of rates.

### SUMMARY

Earnings before taxes for the period ended December 31, 2013 are \$1.65 million compared to \$174 thousand for the same period in 2012 and a 2013 budget amount of \$305 thousand.

<b>Net Income</b> <b>Twelve months ended December 31, 2013</b> <b>(\$ thousands)</b>					
	<b>2013 Actual</b>	<b>2013 Budget</b>	<b>Budget Variance</b>	<b>2012 Actual</b>	<b>Actual Variance</b>
<b>Revenues</b>					
Distribution	36,171	37,418	(1,247)	37,282	(1,111)
Other	1,714	1,180	534	1,450	264
	37,885	38,598	(713)	38,732	(847)
Cost of power	29,348	30,558	(1,210)	30,231	(883)
<b>Net Revenues</b>	<b>8,537</b>	<b>8,040</b>	<b>497</b>	<b>8,501</b>	<b>36</b>
<b>Expenses</b>					
Operations & administration	4,811	5,364	(553)	5,783	(972)
Interest	969	1,004	(35)	1,002	(33)
Amortization	1,081	1,180	(99)	1,423	(342)
	6,861	7,548	(687)	8,208	(1,347)
<b>Earnings before taxes</b>	<b>1,676</b>	<b>492</b>	<b>1,184</b>	<b>293</b>	<b>1,383</b>
<b>Corporate taxes</b>	<b>26</b>	<b>187</b>	<b>(161)</b>	<b>119</b>	<b>(93)</b>
<b>Net income</b>	<b>1,650</b>	<b>305</b>	<b>1,345</b>	<b>174</b>	<b>1,476</b>

### Customer Care

Aside from exceeding budget and 2012 net income results, STEI is committed to ensuring and maintaining a reliable electricity supply. STEI continues to provide its rate payers a reliable and dependable electrical system. The following table provides the reliability statistics that are also reported annually to the OEB as part of its Service Quality Indicators (SQI).

<b>System Reliability Indices 2002 – 2012</b>											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>SAIFI</b>	1.05	5.16	0.32	0.79	0.74	0.38	2.01	0.65	0.57	1.69	1.05
<b>SAIDI</b>	1.45	5.21	0.15	0.68	0.19	0.49	0.80	0.28	0.34	1.72	0.22
<b>CAIDI</b>	1.38	1.01	0.46	0.85	0.25	1.29	0.40	0.43	0.60	1.02	0.21

Equally important is the continued safety of STEI's workforce, as of December 31, 2013 STEI achieved the milestone of 1.1 million hours without a lost time injury.

The level of service provided to OUR customers is very important. Customer service arranged over 7,700 pay arrangements in 2013 to assist those customers that experienced difficulty paying their utility accounts. The customer service department exceeded the 65% OEB benchmark for answering of all calls within 30 seconds or less by achieving a 77% service level and also responded to a customer's written request within 10 days 100% of the time which also surpassed the OEB benchmark of 80%. These are additional SQI's that are reported to the OEB

## **3. RESULTS of OPERATIONS**

### **COMPARATIVE RESULTS**

#### **Net Income**

Net Income for the twelve month period ended December 31, 2013 of \$1.65 million was \$1.35 million greater than the \$174 net income recorded 2012.

#### **Revenues**

Distribution revenues, excluding the flow through cost of power of \$6.82 million are \$227 thousand or 3.2% less than the \$7.05 million recorded in 2012.

Base distribution revenues for 2013 of \$6.54 million were \$58 thousand or 1.0% less than the \$6.11 million recorded in 2012 and smart meter revenues were \$192 thousand less than 2012. The 2012 smart meter revenues included amounts recorded as smart meter rate riders for the period 2006 to 2011.

A summary of the distribution revenue results and components is provided on the following page.

DISTRIBUTION REVENUE			
	2013 Actual	2012 Actual	Variance
Fixed	2,685,870	2,692,776	(6,906)
Variable	3,365,752	3,417,440	(51,688)
	<b>6,051,622</b>	<b>6,110,216</b>	<b>(58,594)</b>
Smart meter	654,203	846,258	(192,055)
Lost revenue adjustment mechanism	138,954	165,145	(26,191)
2011 Foregone revenues	-	14,008	(14,008)
Late payment penalty recovery	-	24,494	(24,494)
2012 PIL ruling	(87,000)	(182,370)	95,370
Tax sharing	(18,894)	(13,078)	(5,816)
	<b>6,738,885</b>	<b>6,964,673</b>	<b>(225,788)</b>
SSS admin fee	58,337	57,834	503
Retailer fee	25,742	27,967	(2,225)
<b>Net Distribution Revenues</b>	<b>6,822,964</b>	<b>7,050,474</b>	<b>(227,510)</b>

Other revenues of \$1.71 million are \$264 thousand or 18.2% greater than the \$1.45 million recorded in 20112. The \$264 thousand increase is mainly attributed to approximately \$130 thousand of recoverable revenue for work performed in 2011, \$67 thousand of Conservation and Demand Management funding for the 2010 Electricity Retrofit Incentive Program (ERIP), \$63 thousand for the recovery of HST and debt retirement charges related to bad debt write-offs for the years 2009 to 2012 and \$65 thousand of scrap inventory sales.

### Expenditures

Total expenditures for the twelve month period ended December 31, 2013, including interest and amortization; of \$6.87 million are \$1.34 million or 16.3% less than the \$8.21 million of expenditures recorded in 2012.

Operations, maintenance and administration (OM&A) expenditures for the 2013 of \$4.81 million are \$972 thousand or 16.8% less than the \$5.78 million recorded in 2012.

DISTRIBUTION EXPENDITURES			
	2013 Actual	2012 Actual	Variance
Operations and maintenance	1,376,798	1,442,510	(65,712)
Customer service	1,434,162	1,616,412	(182,250)
Administration	1,999,819	2,724,254	(724,435)
<b>Net Distribution Revenues</b>	<b>4,810,779</b>	<b>5,783,176</b>	<b>(972,397)</b>

### **Operations and Maintenance**

Operations and maintenance expenditures of \$1.37 million for 2013 are approximately \$66 thousand or 5.0% greater than the \$1.1.44 million recorded in 2012.

The primary reduction is related to the one-time smart meter expense transfer in December 2012 of \$137 thousand. Operational activities throughout 2013 reflected “normal” operational activities; substation maintenance which includes oil sampling and various cable testing has decreased from 2012 as three of the six substations are now being maintained on a rotating annual basis versus all six on a yearly basis and STEI's tree trimming program continues to prove effective as evident by minimal storm damage and overtime attributed to tree damage.

Operation and maintenance expenditures includes expenses related to billable or recoverable work such as labour and material associated with sending crews to assist in the December 2013 ice storm. Expenses associated with these activities of \$234 thousand are \$74 thousand or 46.3% greater than the \$160 thousand recorded in 2012.

### **Customer Service**

Customer billing and collection expenses for the twelve month period ended December 31, 2013 of \$1.43 million is \$182 thousand or 11.3% less than the \$1.62 million recorded in 2012. The primary reduction is related to the one-time smart meter expense transfer in December 2012 of \$110 thousand. Additionally, bad debt expense for 2013 of \$101 thousand is \$44 thousand less than 2012 and other operational savings included bring the delivery of bank deposits to the bank in-house and the move to the Paymentus credit card payment program resulted in additional savings of approximately \$20 thousand.

### **Administration**

Administrative expenditures for the twelve month period ended December 31, 2013 of \$2.00 million are \$724 thousand or 26.6% less than the \$2.72 million recorded for the same period in 2012. Administrative expenses include the salaries and benefits of the President & COO, Finance and IT staff, sick time and payroll expenses related to Operations and Customer Service, AGI fee as well as the various office supplies, building maintenance, consultant costs required to run STEI.

The reduction in administration cost is attributed to the reduced AGI fee of \$305 thousand; office supplies \$40 thousand and reduced salary and benefits of \$140 thousand. The labour reduction is primarily due to the transfer of an IT position from STEI and the reduction on and overlap of finance staff.

Additionally the Employee future benefits, which are actuarially assessed and are subject to staff, benefit and discount rate changes, are \$175 thousand less than 2012. 2012 these costs were attributed to the various entities based upon employee count, the new 2013 assessed costs based upon actual employee costs. This benefit cost will have to be revalued in 2015 in preparation for International Financial Reporting Standards.

	Dec-12 STEI	Dec-13 STEI
<b>ABO, Jan 1</b>	<b>1,213,561</b>	<b>1,234,948</b>
<b>Current service cost</b>	<b>37,004</b>	<b>31,918</b>
<b>Interest cost</b>	<b>57,742</b>	<b>58,240</b>
<b>Actuarial loss (Gain)</b>	<b>-</b>	<b>(162,204)</b>
<b>Benefits paid</b>	<b>(73,359)</b>	<b>(81,529)</b>
	<b>1,234,948</b>	<b>1,081,373</b>
<b>Increase/(decrease)</b>	<b>21,387</b>	<b>(153,575)</b>

### Interest

Interest expense for the twelve month period ended December 31, 2013 of \$969 thousand is \$34 thousand less than the amount recorded in 2012. Interest expense is attributed to the; Shareholder loan, smart meter loan, bank overdraft and interest associated with regulatory liabilities.

### Amortization

Amortization expense for the twelve month period ended December 31, 2013 of \$1.08 million is \$342 thousand less than the December 31, 2012 amortization expense. The 2012 amortization expense included a one-time amortization increase of \$419 thousand for 2010 and 2011 smart meter program.

### Corporate Taxes

Corporate taxes for the 12-month period ended December 31, 2013 are estimated to be \$26 thousand, \$93 thousand less than the 2012 corporate tax expense of \$119 thousand. Tax reduction is attributed to a number of items, primarily being, 2012 loss carry forward and excess CAA as compared to amortization.

## **4. CAPITAL PROGRAM**

STEI continues to focus on maintaining the performance, reliability and quality of service to its distribution customers through effective capital spending. STEI's primary focus continues to be distribution system replacement and voltage conversions as residential rear yard 2.4 kV overhead and secondary lines are being converted 27.6 kV underground in the front boulevards and rebuilding the overhead in rear yards.

A summary of STEI's investment in its infrastructure and systems is provided in the table on the following page

**CAPITAL EXPENDITURE SUMMARY**  
**Year Ended December 31,**

	Actual 2013	Actual 2012
Distribution Expenditures	1,589,232	1,938,482
Contributed Capital	(596,144)	(318,521)
<b>Net Distribution Expenditures</b>	<b>993,088</b>	<b>1,619,961</b>
Administrative Expenditures	456,472	371,044
<b>Total Capital Expenditures</b>	<b>1,449,560</b>	<b>1,991,005</b>

5. 2013 Results to 2013 Budget

Earnings before taxes of \$1.65 million are \$1.35 million greater than the budget net income of \$305 thousand.

<b>Net Income</b> <b>Twelve months ended December 31, 2013</b> <b>(\$ thousands)</b>			
	2013 Actual	2013 Budget	Budget Variance
<b>Revenues</b>			
Distribution	36,171	37,418	(1,247)
Other	1,714	1,180	534
	37,885	38,598	(713)
Cost of power	29,348	30,558	(1,210)
<b>Net Revenues</b>	<b>8,537</b>	<b>8,040</b>	<b>497</b>
<b>Expenses</b>			
Operations & administration	4,811	5,364	(553)
Interest	969	1,004	(35)
Amortization	1,081	1,180	(99)
	6,861	7,548	(687)
<b>Earnings before taxes</b>	<b>1,676</b>	<b>492</b>	<b>1,184</b>
Corporate taxes	26	187	(161)
<b>Net income</b>	<b>1,650</b>	<b>305</b>	<b>1,345</b>

## Revenues

Net revenues for 2013 of \$8.54 million are \$497 thousand or 6.2% greater than the budget amount of \$8.04 million.

Net distributions revenues for the twelve month period ended December 31, 2013 of \$6.82 million are \$37 thousand less than the budget amount of \$6.86 million,

DISTRIBUTION REVENUE			
	2013 Actual	2013 Budget	Variance
Fixed	2,685,870	2,691,436	(5,566)
Variable	3,365,752	3,433,117	(67,365)
	<b>6,051,622</b>	<b>6,124,553</b>	<b>(72,931)</b>
Smart meter	654,203	615,205	38,998
Lost revenue adjustment mechanism	138,954	149,100	(10,146)
2012 PIL ruling	(87,000)	(92,858)	5,858
Tax sharing	(18,894)	(16,000)	(2,894)
	<b>6,738,885</b>	<b>6,780,000</b>	<b>(41,115)</b>
SSS admin fee	58,337	50,000	8,337
Retailer fee	25,742	30,000	(4,258)
<b>Net Distribution Revenues</b>	<b>6,822,964</b>	<b>6,860,000</b>	<b>(37,036)</b>

Variable revenues of \$3.36 million were \$67 thousand less than the budget amount of \$3.43 million, primarily in the residential class. Smart meter revenues of \$654 thousand are \$39 thousand greater than the budget amount of \$615 thousand. The increase in smart meter revenue is attributed to the timing of the implementation date, (budget December 2012, actual January 2013). The delay resulted in a recovery over a shorter period of time thereby increasing the monthly revenue.

Other revenues of \$1.71 million are \$534 thousand greater than the 2013 budget amount of \$1.18 million. As mentioned above, the increase is attributed to a number of one-time items amounting to approximately \$325 thousand and an additional \$210 thousand for recoverable unbudgeted 3<sup>rd</sup> party work which included \$35 thousand for the December ice storm assistance.

## Expenditures

Total expenditures for the twelve month period ended December 31, 2013, including interest and amortization; of \$6.86 million are \$687 thousand 9.0% less than the 2013 budget amount of \$7.55 million.

Operations, maintenance and administration expenditures of \$4.81 million for 2013 are approximately \$553 thousand or 10.4% less than the 2013 budget amount of \$5.36 million.



DISTRIBUTION EXPENDITURES			
	2013 Actual	2013 Budget	Variance
Operations and maintenance	1,376,798	1,305,830	70,968
Customer service	1,434,162	1,431,411	2,751
Administration	1,999,819	2,626,881	(627,062)
<b>Net Distribution Revenues</b>	<b>4,810,779</b>	<b>5,364,122</b>	<b>(553,343)</b>

The \$558 thousand decrease is attributed to a number of activities, material items are summarized as follows;

- 2013 budget included two co-op students that were not hired and the reduction in summer help labour hours for customer services and facilities maintenance resulted in approximate \$118 thousand saving.
- Customer service bad debts are \$30 thousand less than budget and outside purchases are approximately \$100 thousand below budget per the following:
  - Paymentus, Cox Cab savings, \$20 thousand;
  - UCS and other credits \$35 thousand;
  - Capitalized expenses related to software upgrades \$35 thousand;
  - Various other items, \$10 thousand
- Administrative savings include the following:
  - Employee future benefits \$210 thousand;
  - Office, miscellaneous and plant maintenance, \$120 thousand;
  - Director fees \$20 thousand (included in AGI fee);
  - Injury and damages \$20 thousand
  - Community relations \$12 thousand
  - Increase in AGI fee per cost allocation study (\$84 thousand)

A significant amount of the 2013 reductions have been recognized in the 2014 budget.

Interest expense of \$969 thousand for 2013 is \$35 thousand less than the \$1.00 million budget for 2013.

Amortization expense of \$1.09 million is \$91 thousand less than the 2013 budget amount of \$1.18 million. Amortization is impacted by the performance of the capital program and the timing of capital expenditures. As an example the 2013 amortization budget included a new truck that won't be received until first quarter 2014, the impact of this delay is a reduction of \$23,000 to the 2013 amortization expense.

### Capital Program

Following is the capital expenditures for 2013 as compared to budget.

**CAPITAL EXPENDITURE SUMMARY**  
**For The Twelve Months Ended December 31, 2013**

	Actual YTD 2013	Budget 2013	Variance	%
Distribution Expenditures	1,589,232	1,546,423	(510)	102.8%
Contributed Capital	(596,144)	(318,521)	285,144	187.2%
<b>Net Distribution Expenditures</b>	<b>993,088</b>	<b>1,227,902</b>	<b>284,634</b>	<b>80.9%</b>
Administrative Expenditures	456,472	888,000	389,228	51.4%
<b>Total Capital Expenditures</b>	<b>1,449,560</b>	<b>2,115,902</b>	<b>673,863</b>	<b>68.5%</b>

The administrative budget difference is mainly attributed to the new truck that is expected in the first quarter of 2014 and the investment in the GIS system for 2013 was lower than anticipated. Both of these items will be carried forward as additional capital items for 2014.

## **STATEMENT OF DEEMED TRANSMISSION ASSETS**

St. Thomas Energy Inc. confirms that it does not have transmission assets (i.e. assets operating at greater than 50 kV) in its distribution system that had previously been deemed by the Board as distribution assets. Further, St. Thomas Energy Inc. confirms that it is not seeking approval in this Application for any such assets.

## **STATEMENT OF DEVIATION FROM FILING REQUIREMENTS**

At the time of this Application, the Accounting Standard Board ("AcSB") has deferred mandatory adoption of IFRS for qualifying rate-regulated entities to January 1, 2015. However, the Board has directed that all LDC's must adopt either IFRS or an alternative method of accounting no later than January 1, 2013. And that the 2015 Cost of Service Application is to be filed on that alternative accounting basis.

As such, St. Thomas Energy Inc. has prepared its current application on a MIFRS basis.

## STATEMENT OF CHANGE IN METHODOLOGIES

STEI has prepared this Application in accordance with the filing requirements issued by the Board as *Chapter 2 of the Filing Requirements for Transmission and Distribution Applications* and updated on July 17, 2013.

During the final review of STEI's 2015 Cost of Service Rate Application, STEI realized that the commodity price estimate was not calculated per the filing requirements.

STEI recalculated the commodity price estimate in a way that bases the split between Regulated Price Plan ("RPP") and non-RPP customers on actual data and uses the most current RPP price. The most current non-RPP price was obtained from the Ontario Wholesale Electricity Market Price Forecast Report for the period May 1, 2014 through October 31, 2015 prepared by Navigant Consulting and presented to the Board on April 10, 2014.

The difference between the commodity estimate approach in this Application and the Boards identified methodology is that the 2015TY cost of power is overstated by \$2,178,036, resulting in the 2015TY revenue requirement being overstated by approximately \$18,600 which is well below the materiality level of \$50,000.

STEI understands that the commodity charge based upon the filing requirement will be updated to reflect any changes to commodity prices that may become available prior to the approval of this Application.

St. Thomas believes it has met the filing requirements in all relevant aspects.

## **ACCOUNTING TREATMENT OF NON-UTILITY BUSINESS**

STEI performs water and sewer billing and collection services on behalf of its shareholder, the City of St. Thomas. By providing these services STEI has been able to share cost and increase customer support and billing and collecting efficiency and effectiveness.

Under the Service Level Agreement, all specific third party costs are recovered 100%, staffing costs are allocated based upon a time study and shared costs such as postage is not charged to the City as the joint bill does not increase STEI's costs in these areas and there would be not cost reduction if STEI was not billing the water and sewer.

STEI provides water and sewer billing services to City of St. Thomas residents that are Hydro One customers, for those customers the City pays full cost.

The costs of providing this service has been included in account 4380 and netted against the associated revenues in account 4375, thereby reducing the total amount recorded as revenue offset. However, by netting the expenses from the revenues, STEI has reduced the working capital allowance as this treatment reflects a lower rate base. This approach ensures that STEI is not increasing its working capital allowance and thereby earning a return related to water operating costs, such as the cost to read the water meters.

STEI confirms that it abides by the Affiliate Relationship Code and that no confidential customer information is being shared with its affiliates.

## **PREVIOUS BOARD DIRECTIVES**

STEI performs water and sewer billing services on behalf of its shareholder, the City of St. Thomas. By providing these services STEI has been able to share cost and increase customer support and billing and collecting efficiency and effectiveness. Under the Service Level Agreement, all specific third party costs are recovered 100%, staffing costs are allocated based upon a time study and shared costs such as postage is not charged to the City as the joint bill does not increase STEI's costs in these areas and there would be not cost reduction if STEI was not billing the water and sewer. For those municipal customers that receive water and sewer billing that are not STEI customers the City pays the full costs.

The costs of providing this service has been included in account 4380 and netted against the associated revenues in account 4375, thereby reducing the total amount recorded as revenue offset.

By netting the expenses from the revenues, STEI has reduced the working capital as this treatment reflects a lower rate base. This conservative approach ensures that STEI is not increasing its working capital allowance for water specific charges, such as the cost to read the water meters.

- 1
- 2 **CONDITIONS OF SERVICE**
- 3 St. Thomas Energy Inc. revised its Conditions of Service on September 4, 2013. STEI's
- 4 Conditions of Service can be found on its web site at [www.sttenergy.com](http://www.sttenergy.com) and a copy is
- 5 attached.



## Attachment 1 of 1

### Conditions of Service



a division of Ascent

# CONDITIONS OF SERVICE

Effective May 1, 2003

Revised July 12, 2007

Revised September 4, 2013

## CONDITIONS OF SERVICE

---

# St. Thomas Energy Inc. (S.T.E.I.)

## PREFACE

## CONDITIONS OF SERVICE

The Distribution System Code (DSC) requires that every Distributor produce its own “Conditions of Service” document. The purpose of this document is to provide a means for communicating the types and level of service available to the Customers within S.T.E.I.’s service area. The Distribution System Code requires that the Conditions of Service be readily available for review by the general public. In addition, the most recent version of the document must be provided to the Ontario Energy Board (OEB), who in turn will retain it on file for the purpose of facilitating dispute resolutions in the event that a dispute cannot be resolved between the Customer and its local distributor.

The “Distribution Activities (General)” section contains references to service and requirements that are common to all Customer classes. This section covers items such as Rates, Billing, Hours of Work, Emergency Response, Power Quality, Available Voltage, Metering etc.

The “Customer Class Specific” section contains references to service and requirements specific to the respective Customer class. This section covers items such as Metering, Service Entrance Requirements, Delineation of Ownership, and Special Contracts etc.

Other sections include the Glossary of Terms, Tables and References.

Subsequent changes will be incorporated with each submission to the OEB.

**Comments regarding this Conditions of Service document can be emailed to [contact@sttenergy.com](mailto:contact@sttenergy.com) or mailed to S.T.E.I. 135 Edward St.  
St. Thomas, Ontario N5P 4A8**

## TABLE OF CONTENTS

### **SECTION 1 - INTRODUCTION**

- 1.1 Identification of Distributor and Service Area
- 1.2 Related Codes, and Governing Laws
- 1.3 Interpretation
- 1.4 Amendments and Changes
- 1.5 Contact Information
- 1.6 Customer Rights
- 1.7 Distributor Rights
  - 1.7.1 Access to Customer Property
  - 1.7.2 Safety of Equipment
  - 1.7.3 Operating Control
  - 1.7.4 Repairs of Defective Customer Electrical Equipment
  - 1.7.5 Repairs to Customer's Physical Structures
- 1.8 Disputes
  - 1.8.1 Dispute Resolution Process

### **SECTION 2 - DISTRIBUTION ACTIVITIES (GENERAL)**

#### **2.1 CONNECTIONS**

- 2.1.1 Building that Lies Along
  - 2.1.1.1 Connection Charges
- 2.1.2 System Expansion / Offer to Connect
  - 2.1.2.1 Offer to Connect
  - 2.1.2.2 S.T.E.I. Obligations Under Offer to Connect
  - 2.1.2.3 Settlement of Capital Contribution for Offer to Connect
  - 2.1.2.4 Alternate Bids
  - 2.1.2.5 Settlement of Rebates for Connection of Un-forecasted Customers During Connection Horizon
  - 2.1.2.6 Phased Developments
  - 2.1.2.7 Expansion Deposits
  - 2.1.2.8 Settlement of Capital Contributions, Supply Agreement and Securities – General Service Customers (Industrial/Commercial)
- 2.1.3 Connection Denial
- 2.1.4 Inspection Before Connection
  - 2.1.4.1 Overlap of Electrical Services
- 2.1.5 Relocation of Plant
  - 2.1.5.1 Temporary Relocation of Plant
- 2.1.6 Easements
- 2.1.7 Contracts
  - 2.1.7.1 Standard Form of Contract
  - 2.1.7.2 Implied Contract
  - 2.1.7.3 Special Contract
  - 2.1.7.4 Account Holder
  - 2.1.7.5 Opening and Closing of Accounts
  - 2.1.7.6 Transferring Arrears
  - 2.1.7.7 Payment by Building Owner

## **CONDITIONS OF SERVICE**

---

### **2.2 DISCONNECTION**

- 2.2.1 Collection of Arrears
- 2.2.2 Use of Load Limiter
- 2.2.3 Disconnection Provisions for Residential Low-Income Customers
- 2.2.4 Unauthorized Energy Use

### **2.3 CONVEYANCE OF ELECTRICITY**

- 2.3.1 Limitations on the Guaranty of Supply
- 2.3.2 Power Quality
  - 2.3.2.1 System Interruptions
- 2.3.3 Electrical Disturbances
- 2.3.4 Standard Voltage Offerings
  - 2.3.4.1 Primary Voltage
  - 2.3.4.2 Supply Voltage
- 2.3.5 Voltage Guidelines
- 2.3.6 Back-up Generators
- 2.3.7 Metering
  - 2.3.7.1 General Information
  - 2.3.7.2 Metering Instrument Transformers and Enclosures
  - 2.3.7.3 Metering for Hourly Energy Pricing
  - 2.3.7.4 Meter Registration
  - 2.3.7.5 Final Meter Reading
  - 2.3.7.6 Faulty Registration of Meters
  - 2.3.7.7 Meter Dispute Testing

### **2.4 TARIFFS AND CHARGES**

- 2.4.1 Service Connections
  - 2.4.1.1 Customers Switching to Retailer
  - 2.4.1.2 Supply Deposits and Agreements
- 2.4.2 Energy Supply
  - 2.4.2.1 Standard Service Supply (SSS)
  - 2.4.2.2 Retailer Supply
  - 2.4.2.3 Wheeling of Energy
- 2.4.3 Deposits
- 2.4.4 Billing
- 2.4.5 Payments and Late Payment Charges

### **2.5 CUSTOMER INFORMATION**

## **SECTION 3 - CUSTOMER CLASS SPECIFIC**

### **3.1 RESIDENTIAL**

- 3.1.1 General Information
  - 3.1.1.1 Overhead Services
  - 3.1.1.2 Underground Services
  - 3.1.1.3 Services and Swimming Pools
- 3.1.2 Early Consultation
- 3.1.3 Point of Demarcation
- 3.1.4 Access
- 3.1.5 Metering

## **CONDITIONS OF SERVICE**

---

### **3.2 GENERAL SERVICE**

- 3.2.1 General Information
- 3.2.2 Early Consultation
- 3.2.3 Point of Demarcation
- 3.2.4 Supply Voltage
- 3.2.5 Underground Service Requirements
- 3.2.6 Temporary Services
- 3.2.7 Supply of Equipment
  - 3.2.7.1 Utility Owned Transformer Installations
  - 3.2.7.2 Customer Owned Transformer Installations
- 3.2.8 Short Circuit Capacity
- 3.2.9 Access
- 3.2.10 Electrical Rooms
- 3.2.11 Metering
- 3.2.12 General Service (Less Than 50 kW)

### **3.3 GENERAL SERVICE (Greater Than 50 kW)**

- 3.3.1 Metering
- 3.3.2 New Residential Subdivisions or Multi-Unit Housing Developments

### **3.4 GENERAL SERVICE (Above 1000 kW) & LARGE USERS**

- 3.4.1 Metering
  - 3.4.1.1 Primary Metering

### **3.5 EMBEDDED GENERATION**

- 3.5.1 OPA MicroFIT Generation
- 3.5.2 OPA FIT Generation

### **3.6 EMBEDDED MARKET PARTICIPANT**

### **3.7 EMBEDDED DISTRIBUTOR**

### **3.8 UNMETERED CONNECTIONS**

- 3.8.1 Street Lighting
- 3.8.2 Sentinel Lights
- 3.8.3 Decorative Lighting and Tree Lighting Service

## **SECTION 4 - GLOSSARY OF TERMS**

## **SECTION 5 – TABLES**

- Table 1 Demarcation Points, Connection Fees and Disconnection Fees
- Table 2 Meter Sockets (Section 2.3.7.1)
- Table 3 Meter Cabinets (Section 2.3.7.2)
- Table 4 Meter Centers (Section 2.3.7.1)
- Table 5 Primary Metering

## **CONDITIONS OF SERVICE**

---

### **SECTION 6 – REFERENCES**

1. Economic Evaluation Model for Distribution System Expansions
2. Sample Standard Connection Agreement
3. Sample Operations Agreement between the Distributor and an Embedded Generator

### **SECTION 1 - INTRODUCTION**

#### **1.1 Identification of Distributor and Service Area**

S.T.E.I. is a corporation, incorporated under the laws of the Province of Ontario to distribute electricity.

S.T.E.I. is licensed by the Ontario Energy Board “OEB” to supply electricity to Customers as described in the Distribution License and thereafter by the Distribution License issued to S.T.E.I. on April 1, 1999 by the OEB. Additionally, there are requirements imposed on S.T.E.I. by the various codes referred to in the License and by the Electricity Act and the Ontario Energy Board Act.

S.T.E.I. is limited to operate distribution facilities within its Licensed Territory as defined in the Distribution License. The defined Territory is the Municipal Boundaries of the City of St. Thomas.

Nothing contained in this document or in any contract for the supply of electricity by S.T.E.I. shall prejudice or affect any rights, privileges, or powers vested in S.T.E.I. by law under any Act of Legislature of Ontario or the Parliament of Canada, or any regulations there under.

S.T.E.I. will normally provide one electrical service to each Customer's location..

Electrical energy purchased from S.T.E.I. may not be resold at a profit by any Customer to a third party using S.T.E.I. rates. In the case of multi-tenant buildings with bulk metering, the Owner must pay the total cost of electrical energy.

#### **1.2 Related Codes and Governing Laws**

The supply of electricity or related services by S.T.E.I. to any Customer shall be subject to various laws, regulations, and codes, including the provisions of the latest editions of the following documents:

1. Electricity Act, 1998} part of the Energy Competition
2. Ontario Energy Board Act, 1998 (OEB)} Act, 1998
3. Electrical Distribution License
4. Affiliate Relationships Code (AFC)
5. Distribution System Code (DSC)
6. Retail Settlements Code (RSC)
7. Standard Service Supply Code (SSS)
8. Electrical Safety Code (ESA) OESC O.Reg.22-04
9. Applicable CSA Codes

## **CONDITIONS OF SERVICE**

---

10. Performance Based Rates Handbook (PBR)
11. Ontario Business Corporations Act (OBCA)
12. Public Service Works on Highways Act
13. Building Code
14. Personal Information Protection and Electronic Documents Act (PIPEDA)
15. Municipal Freedom of Information and Protection of Privacy Act (MFIPPA)
16. Weights and Measures Act
17. Accessibility for Ontarians Disabilities Act

In the event a conflict between the Connection of Service and any Codes or Acts listed above, the Code or Act listed above shall prevail.

If there is a conflict between a Connection Agreement with a Customer and this Conditions of Service, this Conditions of Service shall govern.

When planning and designing for electricity service, the Customer and their agents must refer to all applicable provincial and Canadian electrical codes, and all other applicable federal, provincial, and municipal laws, regulations, codes and by-laws to also ensure compliance with their requirements. Without limiting the foregoing, the work shall be conducted in accordance with the Ontario Occupational Health and Safety Act, the Regulations for Construction Projects and the E&USA (or the OHSC Safety) rulebook.

### **1.3 Interpretations**

- 1.3.1** This document adds to and clarifies points in the previously listed document. No clause or rule outlined in this document can contradict or change in any material way the intent of established law, standards and statutes. In any dispute on interpretation the relevant law, standard or statute shall be taken as correct. If there is no relevant document to reference, then this document can be considered the official policy of S.T.E.I. and dispute resolution can be sought elsewhere (see below).
- 1.3.2** The term “Customer” shall refer to the person requesting service from S.T.E.I.

In this Conditions of Service document, unless the context otherwise requires:

- Headings, paragraph numbers and underlining are for convenience only and do not affect the interpretation of this Conditions of Service.
- Words referring to the singular include the plural and vice versa.
- Words referring to a gender include any gender.

### **1.4 Amendments and Changes**

The provisions of this Conditions of Service and any amendments made from time to time form part of any Contract made between S.T.E.I. and any connected Customer, Retailer, or Generator, and this Conditions of Service supersedes all previous conditions of service, oral or written, of S.T.E.I. as of its effective date.



## CONDITIONS OF SERVICE

---

In the event of changes to this Conditions of Service, a Public notice shall be made in the form of either a notice in the local newspaper, or a notice on the S.T.E.I. website at [www.sttenergy.com](http://www.sttenergy.com). In addition, Customers will be notified by means of a note on and/or included with their billing.

The Customer is responsible for contacting S.T.E.I. to ensure that the Customer has, or to obtain the current version of the Conditions of Service. The current version of the document is also posted on S.T.E.I. website at [www.sttenergy.com](http://www.sttenergy.com). A fee will be charged to the Customer for a copy of this document.

### 1.5 Contact Information

Address: St Thomas Energy Inc., 135 Edward St., St. Thomas, ON N5P 4A8  
Phone #: 519-631-5550  
Emergency Phone #: 519-631-0311 (after hours)  
Fax #: 519-631-4771  
Email: [contact@sttenergy.com](mailto:contact@sttenergy.com)  
Web Site: [www.sttenergy.com](http://www.sttenergy.com)  
Business Hours: 8:30 AM to 4:30 PM Monday to Friday

### 1.6 Customer Rights

S.T.E.I. shall only be liable to a Customer and a Customer shall only be liable to S.T.E.I. for any damages that arise directly out of the willful misconduct or negligence:

- of S.T.E.I. in providing distribution service to the Customer;
- of the Customer in being connected to S.T.E.I.'s distribution system; or
- of S.T.E.I. or Customer in meeting their respective obligations under these Conditions, their licenses and any other applicable law.

A Customer, who believes that he has suffered damages to his property or equipment as a result of negligence on the part of S.T.E.I., may submit a written claim for damages to S.T.E.I. S.T.E.I. will investigate the claim and respond in writing within 10 business days of the receipt of the claim.

Notwithstanding the above, neither S.T.E.I. nor the Customer shall be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in contract, tort or otherwise.

The Customer or Embedded Generator shall indemnify and hold harmless S.T.E.I., its directors, officers, employees and agents from any claim made by any third party in connection with the construction and installation of a generator by or on behalf of the Customer or the Embedded Generator.

## **CONDITIONS OF SERVICE**

---

### **1.7 Distributor Rights**

#### **1.7.1 Access to Customer Property**

S.T.E.I. shall have access to Customer property in accordance with section 40 of the Electricity Act, 1998.

#### **1.7.2 Safety of Equipment**

The Customer shall comply with all aspects of the Ontario Electrical Safety Code regarding all Customer owned electrical equipment and shall insure that all equipment is properly identified and connected for metering and operation purposes and will take whatever steps necessary to correct any deficiencies, in particular cross wiring situations, in a timely fashion. If the Customer does not take such action within a reasonable time, S.T.E.I. may disconnect the supply of power to the Customer.

Meters, wires, poles, cables, transformers and all other appliances and equipment of S.T.E.I. on a Customer's premise shall be in the care and at the risk of the Customer and if destroyed or damaged by fire or any other cause whatsoever other than ordinary wear and tear, the Customer shall pay S.T.E.I. the value of such meters, wires, poles, cables, transformers, appliances and equipment, or the cost of repairing or replacing same.

The Customer shall not build, plant or maintain or cause to be built, planted or maintained any structure, tree, shrub or landscaping that would or could obstruct the running of distribution lines, endanger the equipment or S.T.E.I. personnel, interfere with the proper and safe operation of S.T.E.I.'s facilities or adversely affect compliance with any applicable legislation in the sole opinion of S.T.E.I.

We require a minimum clearance of 3 metres in front of underground transformers and junction boxes; additionally 1.5 metres is required from the other three sides.

The Customer shall not use or interfere with the facilities of S.T.E.I. except in accordance with a written agreement with S.T.E.I. The Customer must also grant S.T.E.I. the right to seal any point where a connection may be made on the line side of the metering equipment.

#### **1.7.3 Operating Control**

The Customer shall provide a convenient and safe place, satisfactory to S.T.E.I. for installing, maintaining and operating its equipment in, on, or about the Customer's premises. S.T.E.I. assumes no risk and will not be liable for damages resulting from the presence of its equipment on the Customer's premises or approaches thereto, or action, omission or occurrence beyond its control, or negligence of any Persons over whom S.T.E.I. has no control.

The Customer further agrees that no one who is not an agent of S.T.E.I. shall be permitted to remove, replace, alter, repair, inspect or tamper with S.T.E.I. equipment, including seals. Only properly authorized agents of S.T.E.I. shall have reasonable access to the Customer's premises for the purpose of reading, examining, preparing or removing meter, wires, poles, cables, transformers and other appliances and equipment of S.T.E.I. and for the inspection of all the Customer's appliances and wiring.

## CONDITIONS OF SERVICE

---

The “Operational Demarcation Point”, as defined by the DSC, is the physical location on the Customer’s premises at which a distributor’s responsibility for operational control of distribution equipment ends.

### **1.1.1. Repairs of Defective Customer Electrical Equipment**

The Customer will be required to repair or replace any equipment owned by the Customer that may affect the integrity or reliability of S.T.E.I.’s distribution system. If the Customer does not take such action within a reasonable time, S.T.E.I. may disconnect the supply of power to the Customer. S.T.E.I.’s policies and procedures with respect to the disconnection process are further described in these Conditions.

### **1.1.2. Repairs of Customer’s Physical Structures**

Depending on the ownership demarcation point, construction and maintenance of all civil works on private property owned by the Customer will be the responsibility of the Customer. All civil work on private property must be inspected and accepted by S.T.E.I. and the Electrical Safety Authority.

The Customer is responsible for the maintaining, repairing and replacing, in a safe condition satisfactory to S.T.E.I. the Customer’s entire civil infrastructure and mechanical facilities located on private property, including but not limited to poles, underground conduits, transformer vaults and pads, meter bases and electrical rooms that S.T.E.I. deems required to house S.T.E.I. connection assets.

## **1.8 Disputes**

If a Customer or other Market Participant has a complaint about S.T.E.I. regarding services provided under its Distribution License, the Customer may contact S.T.E.I. at (519) 631 – 5550 or by email at [contact@sttenergy.com](mailto:contact@sttenergy.com).

Upon receipt of a complaint, S.T.E.I. will contact the Customer to acknowledge receipt of the complaint and if possible resolve the complaint or investigate and follow up on the complaint as required.

To resolve disputes, S.T.E.I. will follow the terms of Section 23 of the Distribution License.

Section 23 of the Distribution License states:

The Licensee shall:

- a) establish proper administrative procedures for resolving complaints by consumers and other market participants’ complaints regarding services provided under the terms of this License;
- b) publish information which will facilitate its Customers accessing its complaints resolution process;

## CONDITIONS OF SERVICE

---

- c) refer unresolved complaints and subscribe to an independent third party complaints resolution agency which has been approved by the Board;
- d) make a copy of the complaints resolution procedure available for inspection by members of the public at each of the Licensee's premises during normal business hours;
- e) give or send free of charge a copy of the procedure to any person who reasonably requests it; and
- f) keep a record of all complaints whether resolved or not including the name of the complainant, the nature of the complaint, the date resolved or referred and the result of the dispute resolution.

### **1.8.1 Dispute Resolution Process**

If, following good faith negotiations between a Customer or other market participant and S.T.E.I., a resolution cannot be reached, the dispute may be submitted to a dispute resolution process.

Any dispute which shall arise between S.T.E.I. and a Customer(s) and other market participants subject to the terms of these Conditions of Service concerning the rights, duties or obligations of S.T.E.I. or others subject to these Conditions of Service, shall be subject to the following dispute resolution procedure:

#### Mediation

- Either party (the "Initiating Party") may invoke the dispute resolution procedure by sending a written notice to the other party (the "Respondent Party") describing the nature of the dispute and designating a representative of the Initiating Party with appropriate authority to be its representative in negotiations relating to the dispute. The responding Party shall, within five business days of the receipt of such notice, send a written notice to the Initiating Party, designating a representative of the Responding party with the appropriate authority to be its representative in negotiations relating to the dispute.
- Within ten business days of the receipt by the Initiating Party of the written notice of the Responding Party the designated representatives shall enter into good faith negotiations with a view to resolving the dispute. If the dispute is not resolved in thirty days of the commencement of such negotiations, or such longer period as may be agreed upon, either party may, by written notice to the other party, require that the parties be assisted in their negotiations by a mediator. The mediator shall be acceptable to both parties and have knowledge and experience in the matter under dispute, or professional qualifications, or experience in alternative dispute resolution, or both. The parties shall thereafter participate in mediation with the mediator through such process as the mediator, in consultation with the parties, may determine.
- None of the parties shall be deemed to be in default of any matter being mediated until effective on or after the date mediation fails.

## **CONDITIONS OF SERVICE**

---

### **Referral to Dispute Resolution**

Any dispute that is not resolved through mediation as described above shall be referred to a third party dispute resolution agency according to the following procedure:

- Upon the written demand of either of the parties, the dispute shall be referred to an independent third party disputes resolution agency that has been approved by the Board.
- An independent third party disputes resolution agency that has been approved by the Board, shall be selected within ten days of the receipt of the demand by the other party.
- The third party disputes resolution agency selected to hear the dispute shall be qualified by education and training to pass on the particular question in dispute.
- The third party disputes resolution agency selected shall immediately proceed to hear the matter or matters in dispute. The decision of the third party disputes resolution agency shall be made within 45 days of the selection, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, if the third party disputes resolution agency fails to make a decision within 60 days of the selection, then either party may elect to have another third party disputes resolution agency hear the matter or matters as if none had previously heard the matter or matters.
- The decision of the third party disputes resolution agency shall be in writing and signed by the agency. It shall be final and binding upon all the parties hereto as to any matter or matters so submitted to the third party disputes resolution agency and shall observe and implement the terms and conditions thereof.
- The compensation and expenses of the third party disputes resolution agency (unless otherwise determined by the agency) shall be paid equally by the parties.

### **SECTION 2 - DISTRIBUTION ACTIVITIES (GENERAL)**

#### **2.1 CONNECTIONS**

Under the terms of the Distribution System Code, S.T.E.I. has the obligation to either connect or make an offer to connect any Customer that lie in its service area.

Early consultation with S.T.E.I. is essential. The Customer or their authorized representative must make application for new or upgraded electric services and temporary power services in writing. The Customer is required to provide S.T.E.I. sufficient lead-time in order to ensure:

- (a) the timely provision of supply to new and upgraded premises or
- (b) the availability of adequate capacity for additional loads to be connected in existing premises.

## CONDITIONS OF SERVICE

---

The Customer or their representative shall consult with S.T.E.I. concerning the availability of supply, the voltage of supply, service location, metering and any other details. These requirements are separate from and in addition to those of the Electrical Safety Authority. S.T.E.I. will confirm, in writing, the Characteristics of Electric Supply available at a specific site.

S.T.E.I. shall make every reasonable effort to respond promptly to a generator's request for connection. In any event S.T.E.I. shall provide an initial consultation with a generator that wishes to connect to the distribution system regarding the connection process within thirty (30) calendar days of receiving a written request for connection. A final offer to connect a generator to its distribution system shall be made within ninety (90) calendar days of receiving a written request for connection, unless other necessary information outside the distributor's control is required before the offer can be made.

S.T.E.I. shall make every reasonable effort to respond promptly to another distributor's request for connection. S.T.E.I. shall provide an initial consultation with another distributor regarding the connection process within thirty (30) days of receiving a written request for connection. A final offer to connect the distributor to S.T.E.I.'s distribution system shall be made within ninety (90) days of receiving the written request for connection, unless other necessary information outside the distributor's control is required before the offer can be made.

S.T.E.I., in its discretion, may require a Customer, generator or distributor to enter into a Connection Agreement with S.T.E.I. including terms and conditions in addition to those expressed in these Conditions (refer to the sample in the DSC Code – Appendix D)

If special equipment is required or equipment delivery problems occur then longer lead times may be necessary. The Customer will be notified of any extended lead times.

In addition to any other requirements in these Conditions, the supply of electricity is conditional upon S.T.E.I. being permitted and able to provide such a supply, obtaining the necessary apparatus and material, and constructing works to provide the service. Should S.T.E.I. not be permitted to supply or not be able to do so, it is under no responsibility to the Customer whatsoever and the Customer releases S.T.E.I. from any liability in respect thereto.

Prior to commencing any service work, the Customer must consult with S.T.E.I. to ensure compliance with current requirements.

Customers may be required to pay a connection charge for the connection of a new or upgraded electrical service. The connection charge may consist of a basic connection charge and a variable connection charge.

There shall be only one electrical service to a property.

In circumstances where two existing services are installed to a property or land parcel, and one service is to be upgraded, the upgraded service will replace both of the existing services.

## CONDITIONS OF SERVICE

---

### 2.1.1 Building that Lies Along

For the purpose of these Conditions “lies along,” means a Customer property or parcel of land that is directly adjacent to or abuts onto the public road allowance where S.T.E.I. has distribution facilities of the appropriate voltage and adequate capacity.

Under the terms of the Distribution System Code, S.T.E.I. has the obligation to connect (under Section 28 of the Electricity Act, 1998) a building or facility that “lies along” its distribution line, provided:

- a) the building can be connected to S.T.E.I. distribution system without an expansion or enhancement and,
- b) the service installation meets the conditions listed in the Conditions of Service of the Distributor that owns and operates the distribution line.

The location of the Customer’s service entrance equipment will be subject to the approval of S.T.E.I. and the Electrical Safety Authority.

A Building that “lies along” a distribution line may be refused connection to that line should the connection have an adverse effect on the reliability or safety of the distribution system.

#### 2.1.1.1 Connection Charges

S.T.E.I. shall recover costs associated with the installation of “Connection Assets”, by Customer Class, via a Basic Connection Charge and a Variable Connection Charge, as applicable.

For the purpose of these Conditions condominiums, apartment complexes, multi-units or townhouse type developments are considered as Non-Residential Class of Customers.

Basic Connection Fees are reviewed annually and are calculated based on the average costs to provide the Standard Allowance and the Basic Connection for each Customer Class. Standard fees are determined using historical data from previous year(s) for all completed projects in each Customer Class.

Variable Connection Fees are calculated as the costs associated with the installation of connection assets above and beyond the Basic Connection.

Refer to Table 1 for Basic and Variable Connection Fees of each Customer Class and respective ownership demarcation point.

#### a) Residential Customers

The Basic Connection Charge is recovered through S.T.E.I.’s rates and covers the Standard Allowance to provide a basic connection consistent with the defined ownership demarcation point as outlined in Table 1 in these Conditions. This point may differ from the “operational demarcation point”.

## CONDITIONS OF SERVICE

---

The basic connection, provided at no charge to the Customer, shall include:

- supply and installation of overhead distribution transformation capacity or an equivalent credit for transformation equipment and
- up to 30 meters of overhead conductor or an equivalent credit for underground services.

The Variable Connection Charge is recovered through a charge to the Customer requesting the connection. The Basic Connection Fee and the Variable Connection Fee is determined for each Customer Class as indicated in Table 1 of these Conditions.

### **b) Non-Residential Customers**

- i) Multi-Unit Residential Developments
- ii) Industrial & Commercial

S.T.E.I. may recover the Basic Connection Charge either through S.T.E.I.'s rates, or through a Basic Connection Fee charged to the Customer requesting the connection.

The Variable Connection Charge is recovered through a charge to the Customer requesting the connection. The Basic Connection Fee and the Variable Connection Fee is determined for each Customer Class as indicated in Table 1 of these Conditions.

#### Service Upgrades – Non Residential Customers

Where the size of the existing service is increased and will be supplied by utility owned transformer(s), the Customer may be credited the depreciated value of the existing utility owned transformer(s), if applicable.

Where a Customer is serviced from a transformer supplying multiple Customers, the transformer credit will be a share of the depreciated value, based on the number and capacity of services connected to the transformer. This credit will be identified in the Offer to Connect made to the Customer requesting connection, when applicable.

### **2.1.2 System Expansion / Offer to Connect**

Under the terms of the Distribution System Code (DSC), S.T.E.I. is required to make an "offer to connect" if, in order to connect a Customer, S.T.E.I. must construct new distribution system facilities or increase the capacity of existing distribution facilities (i.e. an "Expansion" of its system). In making an "Offer to connect", S.T.E.I. will include, without limitation, the following components, as applicable:

- a. the Basic Connection Fee
- b. the Variable Connection Fee
- c. the Capital Contribution



## CONDITIONS OF SERVICE

---

### d. the Expansion Deposit

The cost associated with the Expansion is to be fair and reasonable and is in addition to any Basic and/or Variable Connection Charges. Refer to Table 1 for Basic and Variable Connection Fees of each Customer Class and the respective ownership demarcation point.

S.T.E.I. will perform an economic evaluation to determine whether the future revenue from the Customer will pay for the capital and on-going maintenance costs of the Expansion project (refer to methodology and assumptions in the DSC Code – Appendix B). At the discretion of S.T.E.I., the capital costs for the Expansion may include incremental costs associated with the full use of S.T.E.I.'s existing spare facilities or equipment, which may result in an adverse impact to future Customers. The economic evaluation will be based on the Customer's proposed load as determined by S.T.E.I.

Performing an economic evaluation for a project determines the monetary value of the project in today's dollars. The basic calculation for determining project value is:

$$\text{Project Value} = \text{Revenue} - \text{Maint\&Oper} - \text{Taxes} - \text{Capital Cost} + \text{Depreciation}$$

#### Where:

**Project Value** = The present value of the project also referred to as the **Net Present Value**

**Revenue** = The present value of projected revenue the project is expected to generate over its useful life

**Maint&Oper** = The present value of Maintenance and Operating cost during the life of the project

**Taxes** = The present value of tax costs during the life of the project

**Capital Cost** = The present value of the total cost to build and install the project also referred to as **(Principal + Interest)**

**Depreciation** = A percentage of the project's **Principal** also referred to as **Capital Cost Allowance**.

If the Project Value (Net Present Value or NPV) is negative it means that the project is not economically feasible for S.T.E.I. because the project cannot generate enough revenue to be sustainable. To proceed, the customer must provide a capital contribution in the amount of the shortfall which is the negative NPV amount.

The Customer requesting the system expansion may seek an alternative bid for the work required to complete the system expansion, provided the offer to connect from S.T.E.I. meets the following conditions:

- The project requires a capital contribution from the Customer; and
- Construction work does not involve work on existing circuits.

## CONDITIONS OF SERVICE

---

Alternative bids may only be obtained from contractors who have been pre-qualified by S.T.E.I.

S.T.E.I. may charge the Customer that chooses to pursue an alternative bid any costs incurred by S.T.E.I. associated with the expansion project, including but not limited to the following:

- costs for additional design, engineering, or installation of facilities required to complete the project that were made in addition to the original offer to connect;
- costs for inspection or approval of the work performed by the contractor hired by the Customer.

### **2.1.2.1 Offer to Connect**

If an expansion is needed in order for S.T.E.I. to connect the customer, the initial offer to connect shall include:

- a) a statement as to whether the offer is a firm offer or is an estimate of the costs that would be revised in the future to reflect actual costs incurred;
- b) a reference to S.T.E.I.'s Conditions of Service and information on how the customer requesting the connection may obtain a copy of them;
- c) a statement as to whether a capital contribution will be required from the customer;
- d) a statement as to whether an expansion deposit will be required from the customer; if one is required, the amount the customer will have to provide will be specified;
- e) a statement as to whether the connection charges referred to in sections 3.1.5 and 3.1.6 of the Distribution Systems Codes, will be charged separately from the capital contribution referred to in Section 2.1.2.1(c) and a description of, and if known the amount for, those connection charges.

### **2.1.2.2 S.T.E.I. Obligations Under "Offer to Connect"**

All of the above will be provided to the customer without charge. If the NPV of the economic evaluation is negative and the customer pays capital contribution, S.T.E.I. will include in the Offer to Connect.

- a) The amount of the capital contribution that the customer will have to pay for the expansion.
- b) The calculation used to determine the amount of the capital contribution to be paid by the customer including all of the assumptions and inputs used to produce the economic evaluation.
- c) In the Offer to Connect, S.T.E.I. will inform the customer that he/she has a choice to obtain alternate bids from pre-qualified contractors.

## CONDITIONS OF SERVICE

---

- d) A statement as to whether the offer includes work for which the customer may obtain an alternative bid and, if so, the process by which the customer may obtain the alternate bid.
- e) A description of, and costs for, the contestable work and the uncontestable work associated with the expansion broken down into the following categories:
  - i) labour (including design, engineering and construction);
  - ii) materials;
  - iii) equipment; and
  - iv) overhead (including administration)
- f) An amount for any additional costs that will be incurred as a result of the alternative bid option being chosen (including, but not limited to, inspection costs).
- g) If the offer is for a residential customer, a description of, and the amount for, the costs of the basic connection referred to in Section 3.1.4 of the Distribution System Code that has been factored into the economic evaluation.
- h) If the offer is to a non-residential customer, a description of, and the amount for, the connection charges referred to in Section 3.1.5 of the Distribution System Code that have been factored into the economic evaluation.
- i) The amount S.T.E.I. may offer to charge a customer other than a generator or distributor to construct the expansion to S.T.E.I.'s distribution system shall not exceed the customer's share of the difference between the present value of the project capital costs and ongoing maintenance costs for the equipment and the present value of the projected revenue.
- j) S.T.E.I.'s offer to connect is an estimate of the costs to construct the expansion and is not a firm offer, the final amount charged to the customer will be the actual costs incurred. S.T.E.I. will calculate the first estimate and the final payment at no extra expense to the customer.
- k) Whether the offer is firm or is an estimate, the NPV revisions in the final payment will reflect the actual costs incurred.

All of the above will be provided to the customer.

### **2.1.2.3 Settlement of "Capital Contribution" for "Offer to Connect"**

The customer must supply a deposit either as a certified cheque or letter of credit a minimum 30 days prior to construction to cover the complete installation costs of the expansion which includes engineering design, materials, labour, equipment and administrative activities per phase of the development. The capital contribution is the amount of the shortfall identified in the Economic Evaluation (the negative amount of the negative NPV in section 2.1.2). When the expansion has been completed and Customer has completed payments for the capital contribution and met all obligations. S.T.E.I. will return the deposit to the customer. If the deposit was a Letter of Credit, it will be returned to the customer's bank. If the deposit was paid for with a certified cheque, the capital

## CONDITIONS OF SERVICE

---

contribution amount will be deducted from the total amount paid and the remainder returned to the customer.

### **2.1.2.4 Alternate Bids**

As mentioned earlier in the “Offer to Connect” Section 2.1.2.2, S.T.E.I. shall inform the customer that he has a choice to obtain alternate bids for expansion work, if the NPV of economic evaluation is negative.

a) The conditions for “Alternate Bids” are:

- Project requires Capital Contribution from the customer;
- Construction work does not involve work with existing circuits.

b) S.T.E.I. shall require the customer to:

- Complete all the contestable work, select and hire the contractor, pay the contractor's costs for the contestable work, and assume full responsibility for the construction of that aspect of the expansion;
- Be responsible for administering the contract (including the acquisition of all required permissions, permits and easements) or have the customer pay S.T.E.I. to do this activity;
- Ensure that the contestable work is done in accordance with S.T.E.I.'s design and technical standards and specifications; and
- Inspect and approve, at cost, all aspects of the constructed facilities as part of a system commissioning activity, prior to connecting the constructed facilities to the existing distribution system.
- S.T.E.I. reserves the right to inspect and approve all aspects of the constructed facilities as a part of a system commissioning, prior to connecting the constructed facilities to the existing distribution system;
- The transfer price of the assets shall be the lower of cost or S.T.E.I.'s initial price for the contestable work.

If customers choose to have work completed with a Alternate Bid, the customer must still provide a deposit either as a certified cheque or letter of credit prior to construction to cover the cost of the shortfall (capital contribution) as determined by the Economic Evaluation negative NPV (section 2.1.2),

When the expansion has been completed and S.T.E.I. receives payment for engineering, administration, inspection and connections and all Customer obligations have been met, S.T.E.I. will reduce the deposit to 15% and hold it for two years. S.T.E.I. then pays the customer for the installation cost of the expansion less the shortfall (capital contribution) as determined by the Economic Evaluation negative NPV (section 2.1.2), For residential

## **CONDITIONS OF SERVICE**

---

subdivision developments, any payments made to Developers are based on the number of services connected in the first five years. A payment is made to the Developer each year based on the number of services connected for the first five only.

### **2.1.2.5 Settlement of Rebates for Connection of Un-forecasted Customers During Connection Horizon**

Un-forecasted customers that connect to the distribution system during the customer connection horizon will benefit from the earlier expansion and should contribute their share. In such an event, the initial contributors shall be entitled to a rebate from S.T.E.I.. S.T.E.I. shall collect from the un-forecasted customers an amount equal to the rebate the distributor shall pay to the initial contributors. The amount of the rebate shall be determined as follows:

- a) For a period of up to the customer connection horizon, the initial contributor shall be entitled to a rebate without interest, based on apportioned benefit for the remaining period; and
- b) The apportioned benefit shall be determined by considering such factors as the relative load level and the relative line length (in proportion to the line length being shared by both parties).

### **2.1.2.6 Phase Developments**

For a development constructed in phases over several years, the estimated cost of servicing the first phase may reflect costs associated with the installation of equipment to accommodate the future phases. These costs may be excluded from the servicing costs of the first phase and be proportion to future phases. Customers must clearly identify the timing and scope of future phases with their original submittal. In the "Offer to Connect", S.T.E.I. will identify any costs associated with accommodating future phases and specify if these costs are included in the servicing cost estimate, or if they are excluded but will be charged when the next phase proceeds.

### **2.1.2.7 Expansion Deposit**

For expansions that require a capital contribution, S.T.E.I. will require the customer to provide an expansion deposit. either as a certified cheque or letter of credit to cover the complete installation costs which includes engineering design, materials, labour, equipment and administrative activities of the expansion. The capital contribution is the amount of the shortfall identified in the Economic Evaluation (the negative amount of the negative NPV in section 2.1.2).

When the expansion has been completed and Customer has completed payments for the Capital Contribution and met all obligations, S.T.E.I. will return the deposit to the customer. If the deposit was a Letter of Credit, it will be returned to the customer's bank. If the deposit was paid for with a certified cheque, the capital contribution amount will be deducted from the total amount paid and the remainder returned the customer.

## CONDITIONS OF SERVICE

---

For expansions that do not require a Capital Contribution, the customer will still be required to provide an expansion deposit to cover the complete installation costs which includes engineering design, materials, labour, equipment and administrative activities of the expansion

- The expansion deposit collected shall cover both forecast and asset risk.
- The expansion deposit shall be in the form of cash or letter of credit. The customer may choose the form of the expansion deposit.
- If the expansion deposit is in the form of cash, S.T.E.I. will return the expansion deposit as per Section 3.2.2.6 of the Distribution System Code.
- Once the facilities are energized, S.T.E.I. shall annually return the percentage of the expansion deposit in proportion to the actual connections (for residential developments) or actual demand (for commercial and industrial developments) that materialized in that year. This annual calculation shall only be done for the duration of the customer connection horizon of five years. If at the end of the customer connection horizon the forecasted connections (for residential developments) or forecasted demand (for commercial and industrial developments) have not materialized, S.T.E.I. shall retain the remaining portion of the expansion deposit.
- If the customer chooses an alternate bid, S.T.E.I. will collect an expansion deposit in the amount of 10% of present value of the projected revenue, and:
  - a) Retain and use the expansion deposit to cover its costs if it must complete, repair or bring up to standard the facilities. Complete, repair or bring up to standard includes S.T.E.I.'s costs to ensure that the expansion is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized;
  - b) Retain up to 10% of the expansion deposit for a warranty period of up to two years. This portion of the expansion deposit may be applied to any work required to repair the expansion facilities within the two year period. The two year period begins;
    - i. When the last forecasted connection in the expansion project materializes (for residential developments) or the last forecasted demand materializes (for commercial and industrial developments); or
    - ii. At the end of the customer connection horizon of five years;

Whichever occurs first, S.T.E.I. shall return any remaining portion of this part of the expansion deposit at the end of the two year warranty period.

### **2.1.2.8 Settlement of Capital Contributions, Supply Agreement and Securities – General Service Customers (Industrial/Commercial)**

Electric energy consumption and demand of General Service Customers (Industrial/Commercial) is subject to significant variation over time due to changes in business process, building usage and building ownership or tenants. Significant changes in consumption and/or demand of General Service Customers from those projected in the initial economic evaluation have a direct effect on the accuracy of the initial economic evaluation and the subsequent shortfall calculation.

The initial demand proposed by the Customer must be reasonable and shall be subject to approval by S.T.E.I.. If after 2 years from the in-service date the Customer's twelve month rolling average monthly demand is less than 90% of the incremental demand used in the original economic evaluation, the Customer and S.T.E.I. agree to recalculate the economic evaluation based on the actual twelve month demand and increase the capital contribution payment accordingly.

To keep S.T.E.I. harmless as a result of S.T.E.I. agreeing to reduce the amount of capital contribution required for the Expansion, the Industrial/Commercial General Service Customers may be required to enter into a Supply Agreement and provide a security deposit to cover for the difference between the actual costs incurred by S.T.E.I. and the capital contribution(s) paid by the Customer. This requirement will depend on the amount of capital required by S.T.E.I. and the associated risk involved in recovering this capital through revenue from the applicable S.T.E.I. distribution rates.

With each subsequent renewal of the security deposit, the Customer's liability shall be reduced by an amount equal to the actual incremental revenue collected since the in-service date. The residual debt, if any, is due 25 years after the in-service date, or upon termination of the Supply Agreement. The obligation to pay any outstanding amount shall survive the termination of the Supply Agreement. An irrevocable (standby) letter of credit or a letter of guarantee from a chartered bank, trust company or credit union is acceptable in lieu of a cash deposit. This security deposit is in addition to any other charges or deposits that may be required by S.T.E.I. and is to be provided prior to the connection of service.

If S.T.E.I. cannot determine the electricity consumption and demand proposed by the Customer is valid or reasonable, the customer will be responsible for the complete installation costs which includes engineering design, materials, labour, equipment and administrative activities of the expansion

### **2.1.3 Connection Denial**

The Distribution System Code provides for the ability of a Distributor to deny connections. S.T.E.I. is not obligated to connect a building within its service territory if the connection would result in any of the following:

1. Contravention of existing laws of Canada and the Province of Ontario.
2. Violations of conditions in S.T.E.I. Distribution License.

## CONDITIONS OF SERVICE

---

3. Use of a distribution system line for a purpose that it does not serve and that S.T.E.I. does not intend to serve.
4. Adverse effect on the reliability and/or safety of the distribution system.
5. Public safety reasons or imposition of an unsafe work situation beyond normal risks inherent in the operation of the distribution system.
6. A material decrease in the efficiency of S.T.E.I.'s distribution system.
7. A material adverse effect on the quality of distribution services received by an existing connection.
8. Discriminatory access to distribution services.
9. Potential increases in monetary amounts that already are in arrears with S.T.E.I.
10. If an electrical connection to S.T.E.I.'s distribution system does not meet S.T.E.I.'s design requirements.
11. If the person requesting the connection owes S.T.E.I. money for any reason.
12. Any other conditions documented in S.T.E.I.'s Condition of Service document that are consistent with the conditions identified above and with the goals delineated in the Energy Competition Act, 1998.

If S.T.E.I. has denied the request for connection, the Customer will be informed of the reason(s) for not connecting and if S.T.E.I. is able to provide a remedy to the situation an offer to connect will be made to the Customer. If S.T.E.I. is unable to provide a remedy to resolve the issue, it is the responsibility of the Customer to do so before a connection can be made.

S.T.E.I. reserves the right to require the consumer to be present during the connection/reconnection of a service. However, if the Customer does not meet with S.T.E.I. at the scheduled time and the Customer is not present during the service connection/reconnection, S.T.E.I. accepts no responsibility for damages caused by energizing the service.

### **2.1.4 Inspections Before Connection**

All Customer electrical installations shall be inspected and approved by the Electrical Safety Authority and must also meet S.T.E.I.'s requirements. S.T.E.I. requires notification from the Electrical Safety Authority of this approval prior to energizing the service.

Services that have been disconnected for a period of six months or longer must also be re-inspected and approved by the Electrical Safety Authority prior to reconnection.

Temporary services, typically used for construction purposes, must be approved by the Electrical Safety Authority for a period of twelve months and must be re-inspected should the period of use exceed twelve months.



## **CONDITIONS OF SERVICE**

---

Customer owned substations must be inspected by the Electrical Safety Authority and S.T.E.I.

Transformer rooms shall be inspected and approved by S.T.E.I. prior to the installation of equipment.

Provisions for metering shall be inspected and approved by S.T.E.I. prior to energizing the service.

Duct banks shall be inspected and approved by the S.T.E.I. prior to the pouring of concrete and again before backfilling. The completed ducts must be swabbed or brushed by the site contractor in the presence of the S.T.E.I. inspector and shall be clear of all extraneous material. In the event that the ducts are blocked, the owner's representative will be responsible for clearing the ducts prior to the cable installations. Only an approved contractor will make connections to existing concrete duct banks or manholes. All work done on existing duct banks must be authorized by S.T.E.I. and carried out in accordance with all applicable safety acts and regulations.

### **2.1.4.1 Overlap of Electrical Services**

In certain situations where an existing service is being upgraded or relocated, S.T.E.I. may allow two services to be energized for a period of up to 15 days to provide the owner with adequate time to transfer all internal circuits to the new system. E.S.A. approval is required. A charge to disconnect the existing service may apply. Prior to any overlap of services, the owner, must obtain approval from S.T.E.I. Engineering Department and S.T.E.I. reserves the right to disconnect the non-permanent service should the 15 day overlap period be exceeded.

### **2.1.5 Relocation of Plant**

When requested to relocate distribution plant, S.T.E.I. shall exercise its rights and discharge its obligations in accordance with existing legislation such as the Public Service Works on Highways Act, regulations, formal agreements, easements and common law. In the absence of existing arrangements, S.T.E.I. is not obligated to relocate the plant. However, S.T.E.I. shall resolve the issue in a fair and reasonable manner.

Once the request for relocation of distribution plant has been reviewed, the Customer or agency requesting the relocation will be notified of the feasibility or unfeasibility of the work required. If the relocation is feasible, the Customer or agency shall pay the total costs for labour, labour saving devices, materials and applicable overheads or as otherwise defined in existing legislation.

#### **2.1.5.1 Temporary Relocation of Plant**

S.T.E.I. will cooperate with all reasonable requests in assisting and moving plant where possible. However, it will reserve the right to disallow the moving of equipment and/or structures over certain routes when in their opinion the moving and/or disconnecting of the distribution system is not feasible. The total costs for labour, labour saving devices, materials and applicable overheads for such work shall be borne by the Customer.

## CONDITIONS OF SERVICE

---

If the equipment and/or structure to be moved has a traveling height of 4.2 meters (14') or less, no charge for the moving or relocation of the overhead distribution system will apply.

### 2.1.6 Easements

The Customer shall grant, at no cost to S.T.E.I., where required, an easement to permit installation and maintenance of service. The width and extent of this easement shall be determined by S.T.E.I. The easement shall be granted prior to energizing of the service.

To maintain the reliability, integrity and efficiency of the distribution system, S.T.E.I. has the right to have supply facilities on private property registered against title to the property. Easements are required whenever S.T.E.I.'s underground or overhead plant is to be located on private property or crosses over an adjacent private property to service a Customer other than the owner of that adjacent property.

The Customer will prepare at its own costs a reference plan and associated easement documents to the satisfaction of S.T.E.I.'s solicitor prior to its registration and register the easement plan. Details will be provided upon application for service.

The Customer shall not construct or locate any buildings, structures, fences, equipment, pools, shrubs, etc. on the easement.

### 2.1.7 Contracts

**2.1.7.1 Standard Form of Contract** – Connection to the electrical distribution system will be provided upon completion of a signed contract; as deemed necessary by S.T.E.I., between the Customer and S.T.E.I. and receipt of approval by the Electrical Safety Authority.

A Standard Contract for service shall be considered as being in force from the date it is signed by the Customer and S.T.E.I. or a deemed contract is in force and shall remain in force until terminated by either party.

**2.1.7.2 Implied Contract** – In all cases, notwithstanding the absence of a formal contract, the taking and using of electricity and distribution services from S.T.E.I. by any Person or Persons named on the account with S.T.E.I. constitutes the acceptance of the terms and conditions of all regulations, conditions and rates as established by S.T.E.I. Such acceptance and use of electricity and distribution services shall be deemed to be the acceptance of a binding contract with S.T.E.I. and the Person(s) named on the account so accepting shall be liable for payment for such electricity and distribution services and associated charges and the contract shall be binding upon the Person(s)' named on the account heirs, administrators, executors, successors or assigns.

**2.1.7.3 Special Contract** – Special contracts that are customized in accordance with the service requested by the Customer normally include, but are not necessarily limited to, the following examples:

- Construction Sites
- Mobile Facilities
- Non-permanent Structures

## CONDITIONS OF SERVICE

---

- Special Occasions, etc.
- Generation

### **2.1.7.4 Account Holder**

The current customer whose name appears on the S.T.E.I. monthly invoice is deemed to be the Account Holder.

S.T.E.I. takes direction from the Account Holder for the purpose of providing electricity service. Direction is given in the form of:

- Opening of Accounts
- Closing of Accounts

The Account Holder is responsible for the following charges:

- Fixed Service Charges
- Usage/Consumption Charges
- Specific Service Charges (referred to as Miscellaneous Charges by S.T.E.I.)

The above charges are approved by the Ontario Energy Board, from time to time and are contained in the "Tariff of Rates and Charges" schedule which can be found on-line by going to [www.sttenergy.com](http://www.sttenergy.com).

The Account Holder may also be responsible for other fees and charges as indicated in this Conditions of Service document.

S.T.E.I. may refuse to terminate the supply of electricity to an owner's building when there are occupant(s) in the building.

### **2.1.7.5 Opening and Closing of Accounts**

A Customer who wishes to open an account for the supply of electricity by S.T.E.I. shall contact S.T.E.I. by phone, by written request (including requests submitted by facsimile), or through the S.T.E.I. website at [www.sttenergy.com](http://www.sttenergy.com).

A customer who wishes to close an account with S.T.E.I. shall contact S.T.E.I. by phone, by written request (including requests submitted by facsimile), or through S.T.E.I. website at [www.sttenergy.com](http://www.sttenergy.com). The Customer shall be responsible for all billable charges to S.T.E.I. for the supply of electricity to the account up to and including the termination date of the account.

In all cases, S.T.E.I. will not maintain availability of a meter and service without an active account and Customer. When a Customer advises S.T.E.I. they are no longer responsible for the account or requests to close an account, a final bill will be issued for the account. If, at that time, a new Customer has not assumed responsibility for services provided to the property, S.T.E.I. may disconnect the service and may remove the S.T.E.I. facilities and equipment from the property. If a request is made for reconnection, the new Customer setting up an account at the service address may incur the applicable costs to reinstall appropriate delivery equipment that may have been removed. If service has been disconnected from a premise for six months or longer, an ESA inspection is required and it will be the responsibility of the party requiring the reconnection to arrange for the inspection and the payment of fees.

## CONDITIONS OF SERVICE

---

### Landlord/Owner and Tenant Agreements

When a tenant has opened an account at a property for the distribution of services they have agreed to be a S.T.E.I. Customer and have accepted responsibility for electricity charges provided to a service address. Therefore, the contract is with the tenant. When a tenant closes the account, S.T.E.I. will adhere to the date provided by the tenant, regardless of the terms of any lease or verbal agreement between that tenant and landlord or owner, and a final bill be issued for the account.

A landlord or owner may enter into an agreement (Continuous Service Agreement/CSA) with S.T.E.I. to accept responsibility for any and/or all units listed at a service address for which they are the landlord or owner and be responsible for any electricity charges for services provided at that property at anytime a person has not assumed responsibility for services delivered to the property until;

- a) new tenant opens an account and agrees to accept responsibility for the charges at the service address, or;
- b) the landlord or owner terminates the agreement.

A landlord or owner may enter into the above mentioned agreement in the form of a written agreement only. If a new account is set up in the landlord or owner's name pursuant to such an agreement, the following terms and conditions apply;

- a) S.T.E.I. will open an account(s) for electrical service to the properties in the landlord or owner's name as soon as any vacating tenant's account has been closed, where;
- b) the landlord or owner will be responsible for the new account(s) and any electricity charges for service provided, at any and all units listed at a service address, and will comply with these Conditions of Service; and
- c) a new account set up charge will apply to the new account(s), which will appear on the first electricity bill for any new account(s). Even though the property may be vacant, monthly service charges and electricity used will be billed to this new account(s).

The above agreement shall continue in effect until terminated by either party by giving ten (10) days written notice to the other party. The termination of this agreement shall not relieve the landlord or owner from its obligation to pay for any charges accrued prior to the date of termination. In the event the landlord or owner cancels this agreement, the landlord or owner will not be eligible to enter into another agreement relating to the premises listed for a period of six (6) months.

For greater clarity, if a tenant has closed an account and a new tenant or landlord or owner has not assumed responsibility for services delivered to the property, S.T.E.I. will disconnect the service and may remove their equipment from the property as in accordance with section 2.1.7.5. S.T.E.I. will not be responsible for any liabilities or damages, which may occur as a result of the service being disconnected.

All reconnection fees will be the responsibility of the landlord or owner.

### 2.1.7.6 Transferring Arrears

S.T.E.I. has the right to transfer arrears from one account in a customer's name to any other account in the same customer's name, irrespective of rate classification or whether other additional names appear on the account.

## CONDITIONS OF SERVICE

---

### 2.1.7.7 Payment by Building Owner

The owner of a building is responsible for paying for the supply of electricity by S.T.E.I. to the building except in the case of multi-tenant buildings with individual meters where the occupants have contracted for supply with S.T.E.I. In the case of multi-tenant buildings with bulk metering, the owner must pay the total cost of the account.

A building owner wishing to terminate the supply of electricity to its Building must notify S.T.E.I. in writing. Until S.T.E.I. receives such written notice from the Building owner or its authorized representative, the Building owner will be responsible for all billable charges for the supply of electricity to such Building. S.T.E.I. may refuse to terminate the supply of electricity to an owner's Building when there are occupant(s) in the Building.

## 2.2 Disconnection

S.T.E.I. has the right and/or obligation to disconnect or control the supply of electricity to a Customer for the following reasons not limited to:

- a) Failure to pay overdue amounts for the supply of electricity.
- b) Failure to pay any connection costs due and payable.
- c) Failure to notify S.T.E.I. of customer responsible for electricity account when a new party moves into an existing connected property.
- d) Non-payment of security deposits identified as a condition of service or a condition of continuing service.
- e) Contravention of the laws of Canada or Ontario.
- f) Imposition of an unsafe worker situation beyond normal risks inherent in the operation of the Distribution System.
- g) Adverse effect on the reliability and/or safety of the Distribution System.
- h) A material decrease in the efficiency of S.T.E.I.'s Distribution System.
- i) Inability of S.T.E.I. to perform metering (manually, automatically or remotely), planned inspections, maintenance, meter reading, repairs or replacement of all or any part of a Meter Installation.
- j) Failure of the Customer to comply with a directive of S.T.E.I. that S.T.E.I. makes for the purposes of meeting its License obligations.
- k) Failure of the Customer to comply with any requirements in these Conditions of Service, including a requirement that the Customer complete an account set up process over the telephone or in writing and assume responsibility for Distribution Services charges, or a term of any agreement made between the Customer and S.T.E.I., including, but not limited to, a Connection Agreement, Connection Cost Agreement or a Connection and Cost Recovery Agreement;
- l) In compliance with a court order;
- m) By order of the Electrical Safety Authority, by order of the IESO; or for the reasons identified in Section 2.2.1 of these Conditions of Service
- n) Electrical disturbances propagation caused by Customer equipment that is not corrected in a timely fashion;
- o) Energy diversion, fraud or abuse.
- p) Upon receipt of a Disconnection request by the owner, S.T.E.I. will disconnect and/or remove S.T.E.I.'s connection assets. The disconnection of a service does not alleviate the customer of the liability of arrears or ongoing Utility Bills.

## CONDITIONS OF SERVICE

---

### General Information

S.T.E.I. will endeavor to notify Customers prior to interrupting the supply to any individual service. However, if an unsafe or hazardous condition is found to exist, or if the use of electricity by apparatus, appliances, or other equipment is found to be unsafe or damaging to S.T.E.I. or the public, service may be discontinued without notice.

Upon discovery of a connection that has the potential to cause a hazardous condition or in the event that disturbance propagation (back feed) exists, S.T.E.I. will notify the Customer to rectify the conditions at once. Where possible, the Customer will be given up to seven calendar days to make the necessary repairs to correct the problem. If the Customer fails to make satisfactory arrangements to remedy the condition within seven calendar days after a disconnect notice has been given to the Customer, the service may be disconnected and not restored until satisfactory arrangements to remedy the condition have been made. S.T.E.I. shall not be liable for any damage to the Customer's premises resulting from such discontinuance of service. Disconnect notices will be in writing and if given by mail shall be deemed to be received on the third business day after mailing.

### 2.2.1 Collection of Arrears

The St Thomas Energy Inc. monthly bill is issued and due within 19 days of the billing date. S.T.E.I. provides customers with a 16 day payment period, plus 3 days for the bill to be sent by mail. The due date on the bill is set 19 days from the billing date.

Immediately following the due date, steps will be taken to collect the full amount of the bill.

- Where the amount of the bill has not been paid by the due date, the customer shall pay an interest charge of 1.5% per month, compounded monthly (19.56% per year).
- 9 days after the due date if the account is unpaid and no acceptable payment arrangements are on file a "Notice of Arrears" is hand delivered to the service address within the City of St Thomas and all others are mailed.
- The "Notice of Arrears" informs customers of the outstanding monies owed, a disconnection date, along with information about payment methods, short term payment arrangements, arrears management program and collection charges.
- 5 days after the "Notice of Arrears" is issued, personal contact is attempted to advise the customer of the pending disconnection.
- 19 days after the due date if the account remains unpaid a "Disconnection For Non-Payment" notice is delivered to the service address at which time the service is disconnected.
- The service will not be reconnected unless payment has been received for all outstanding arrears which could include an additional deposit and a reconnection fee.
- Regular working hour service reconnections are done between the hours of 3 pm and 4:30 pm. Monday to Friday. For safety reasons S.T.E.I requires an adult to be present at the time of the reconnection.
- The disconnection of a service does not alleviate the customer of the liability of arrears or ongoing Utility Bills.

## **CONDITIONS OF SERVICE**

---

### **2.2.2 Use of Load Control Device**

If a bill remains unpaid 19 calendar days after the due date S.T.E.I may fully interrupt or limit the distribution of electricity to the Customer. During winter months S.T.E.I may install a load limiter control device instead of disconnecting supply to the customer for non-payment provided that; S.T.E.I complies with the provisions set out in sections described below.

S.T.E.I will provide written notice, explanation of the effect and how to reset the device (if need be) at the time the device is installed along with providing a Fire Safety Notice of the Office of the Fire Marshal.

S.T.E.I shall remove the load control device within 2 business days of an outstanding account being paid in full, or the customer entering into an arrears payment agreement.

### **2.2.3 Disconnection Provision for Residential Low-Income Customers**

S.T.E.I shall suspend any disconnection action for a period of 21 days from the date of notification by a registered charity, social service agency or government agency that partners with a given distributor to assess Emergency Financial Assistance eligibility for a residential customer for the purposes of determining whether the customer is eligible to receive such assistance, provided such notification is made within 10 days from the date on which the disconnection notice is received by the customer. Where a residential customer had requested prior to the issuance of the disconnection notice that the distributor also provide a copy of any disconnection notice to a third party, the distributor shall suspend any disconnection action for a period of 21 days from the date of notification by the third party that he, she is attempting to arrange assistance with the bill payment, provided such notification is within 10 days from the date the disconnection notice is received by the customer. Upon notification by a registered charity, government agency or social service agency that the residential customer is not eligible to receive bill payment assistance, or if the third party decides not to assist the customer with the bill payment, S.T.E.I. may proceed with the disconnection process.

### **2.2.4 Unauthorized Energy Use**

S.T.E.I. shall use its discretion in taking action to mitigate unauthorized energy use. Upon identification of possible unauthorized energy use, S.T.E.I. shall notify, if appropriate, Measurement Canada, the Electrical Safety Authority, Local Police Officials, retailers that service consumers affected by the unauthorized energy use, or other entities.

S.T.E.I. reserves the right to disconnect the supply of electrical energy to a Customer for causes not limited to energy diversion, fraud or abuse on the part of the Customer. Such service may not be reconnected until the Customer rectifies the condition and provides full payment to S.T.E.I. including all costs incurred by S.T.E.I. arising from unauthorized energy use, including inspections, repair costs, and the cost of disconnection and reconnection. Where actual metered consumption is not available, S.T.E.I. will calculate the energy consumption based on an estimate.

## **CONDITIONS OF SERVICE**

---

Prior to reconnecting the service, S.T.E.I. shall require proper authorization from applicable authorities.

S.T.E.I. may recover from the parties responsible for the unauthorized energy use all costs incurred from the unauthorized energy use, including lost revenue from energy sales, inspection and repair costs. Under certain situations the building owner may be required to pay these costs before the service is reconnected.

### **2.3 CONVEYANCE OF ELECTRICITY**

#### **2.3.1 Limitations on the Guaranty of Supply**

S.T.E.I. may shut off or reduce the supply of electricity to the property or disconnect equipment or open circuits to:

- a) inspect, maintain, repair, alter, remove, replace or disconnect wires or other facilities used to transmit or distribute electricity; or
- b) to install, inspect, read, calibrate, maintain, repair, alter, remove or replace a meter.

This work will be done as part of S.T.E.I. planned operations and maintenance activities during normal business hours, Monday to Friday. Where a Customer requests such planned activities to be done outside normal working hours, then the Customer shall pay the incremental costs.

S.T.E.I. agrees to use reasonable diligence in providing a regular and uninterrupted supply but does not guarantee a constant supply or the maintenance of unvaried frequency or voltage and will not be liable in damages to the Customer by reason of any failure in respect thereof.

Customers requiring a higher degree of security than that of normal supply are responsible to provide their own back-up or standby facilities. Customers may require special protective equipment on their premises to minimize the effect of momentary power interruptions.

S.T.E.I. will endeavor to maintain voltage variation limits, under normal operation conditions, at the Customers' Delivery Points, as specified by the latest edition of the Canadian Standards Association CAN3-C235.

Customers requiring a three-phase supply should install protective apparatus to avoid damage to their equipment, which may be caused by the interruption of one phase, or non-simultaneous switching of phases of the S.T.E.I. supply.

#### **2.3.2 Power Quality**

In response to a Customer power quality concern, where the utilization of electric power affects the performance of electrical equipment, an investigative analysis will be performed to identify the underlying cause. Depending on the circumstances, this may include review of relevant power interruption data, trend analysis, and/or use of diagnostic measurement tools.



## CONDITIONS OF SERVICE

---

Upon determination of the cause resulting in the power quality concern, where it is deemed a system delivery issue and where industry standards such as IEEE 519, IEC, ITI (CBEMA Curve) are not met, S.T.E.I. will recommend and/or take appropriate mitigation measures. S.T.E.I. will endeavor to control harmonics generated by its own system where these are found to be detrimental to the Customers. If S.T.E.I. is unable to correct the problem due to the impact on other Customers, then it is not obligated to make the corrections. Appropriate industry standards such as IEEE 519, IEC, ITI (CBEMA Curve) will be used as a guideline. If the problem lies on the Customer side of the system, S.T.E.I. may seek reimbursement from the Customer for the costs incurred in its investigation.

If an undesirable system disturbance is being caused by the Customer's equipment, the Customer will be required to cease operation of the equipment until satisfactory remedial action has been taken. If the Customer does not take such action within a reasonable time, the Customer's supply of power may be disconnected.

If S.T.E.I. determines that Consumer's equipment may be the source causing unacceptable harmonics, voltage flicker or voltage level on S.T.E.I.'s distribution system; the Consumer shall assist S.T.E.I. in its investigation by providing required equipment information, relevant data and necessary access for monitoring the equipment.

All electrical and mechanical equipment used by the Customer shall be subject to the reasonable approval of S.T.E.I.. When Customers plan to install large motors over 500hp, they must contact the S.T.E.I. to ensure the existing or new services are sized correctly and that the distribution system can supply the required starting current. If customers have equipment or install equipment that results in poor power factor (less than 90%), a power factor penalty will be applied and it is the Customer's responsibility to install equipment to correct or improve power factor.

### **2.3.2.1 System Interruptions**

S.T.E.I. will exercise reasonable diligence and care to deliver a continuous supply of electrical energy to the Customer. However, S.T.E.I. cannot guarantee a supply that is free from interruption.

Although it is S.T.E.I.'s policy to minimize inconvenience to Customers, it is necessary to occasionally interrupt a Customer's supply to maintain or improve the distribution system, or to provide new or upgraded service to other Customers. S.T.E.I. will undertake the necessary programs to maintain its distribution system at its expense, as part of its planned activities during normal business hours, Monday to Friday. Where a Customer requests such planned activities to be done outside normal working hours, then the Customer shall pay the incremental costs.

S.T.E.I. will endeavor to provide the Customer with reasonable advance notice, except in cases of extreme emergency, involving danger to life and limb, or impending severe equipment damage.

S.T.E.I. will endeavor to notify Customers prior to interrupting the supply to an individual service. Where work involves a small number of Customers, S.T.E.I. will attempt to notify Customers prior to disconnection for maintenance or repairs to the specific service.

## CONDITIONS OF SERVICE

---

However, if an unsafe or hazardous condition is found to exist, or if the use of electricity by apparatus, appliances, or other equipment is found to be unsafe or damaging to S.T.E.I. or the public, service may be discontinued without notice.

In the event of a planned outage, S.T.E.I. will attempt to provide reasonable notice prior to the scheduled work date. When possible, 48 hrs. notice will be given. However, interruption times may change due to inclement weather or other unforeseen conditions. S.T.E.I. shall not be held liable in any manner for failure to provide such notice of planned interruptions or any changes in schedule for planned interruptions.

Depending on the outage duration and the number of Customers affected, notification in the local newspaper may be issued to advise the general public of the outage.

In an emergency, S.T.E.I. has the right to disconnect Customers in response to shortage of supply; until or while repairs are made to Customer-owned equipment.

To assist with S.T.E.I. outage or emergency response, Customers shall make provisions, suitable to S.T.E.I., for emergency access to Customer owned distribution equipment normally operated by S.T.E.I. or S.T.E.I. owned equipment on Customer property. Access will be provided up to and including the Operational Demarcation Point as identified in these Conditions.

Customers or a party to a joint use agreement are obligated to comply with reasonable and appropriate instructions from S.T.E.I. during an unplanned outage or emergency situations.

S.T.E.I. has developed an Emergency Preparedness Plan and it shall be maintained in accordance with the requirements of the Minister of Energy, Science and Technology and the Market Rules. This plan includes Mutual Assistance Plans with neighboring distributors or other measures to respond to a widespread emergency.

S.T.E.I. provides an after-hours emergency phone number with on-call personnel to assist in the event of an unplanned power outage. When power is interrupted, the Customer should first ensure that failure is not due to failed protection devices (i.e. fuses or breakers) within the installation. If there is a partial power failure, the Customer should obtain the services of an electrical contractor to carry out necessary repairs. If, on examination, it appears that S.T.E.I.'s main source of supply has failed, the Customer should report these conditions at once to S.T.E.I.

Customers who require an uninterrupted source of power for life support equipment must provide their own equipment for these purposes. Customers with life support system are encouraged to inform S.T.E.I. of their medical needs. These Customers are responsible for ensuring that the information they provide S.T.E.I. is accurate and up-to-date.

In the event of an unplanned power outage, S.T.E.I. will endeavor to notify Critical Customers, as defined in the Emergency Preparedness Plan, of the estimated time of power restoration once the problem has been identified and restoration time has been determined. S.T.E.I. will not be liable in any manner to the Customers in the event that notification was not given.

## **CONDITIONS OF SERVICE**

---

### **2.3.3 Electrical Disturbances**

S.T.E.I. shall not be held liable for the failure to maintain supply voltages within standard levels due to Force Majeure as defined in Section 2.3.5 of these Conditions.

There are levels of voltage fluctuation and other disturbances that can cause flickering lights and more serious difficulties for Customers connected to the S.T.E.I. distribution system. Customers must ensure that their equipment does not cause any disturbances such as harmonics and spikes that might interfere with the operation of adjacent Customer equipment. Examples of equipment that may cause disturbance include large motors, welders and variable speed drives. In planning the installation of such equipment, the Customer must consult with S.T.E.I.

Customers that own equipment connected to the distribution system must take reasonable steps to ensure that the operation or failure of that equipment does not cause a distribution system outage or disturbance.

Some types of electronic equipment, such as video display terminals, can be affected by the close proximity of high electrical currents that may be present in transformer rooms. Correction of this problem will be the responsibility of the Customer. S.T.E.I. may assist in attempting to resolve any such difficulties at the Customer's expense.

Customers who may require an uninterrupted source of power supply or a supply completely free from fluctuation and disturbances must provide their own power supply (i.e.: generator or UPS's) or power conditioning equipment for these purposes.

### **2.3.4 Standard Voltage Offerings**

#### **2.3.4.1 Primary Voltage**

The primary voltage used for S.T.E.I.'s distribution system is 3 Phase 4 Wire 27.6 KV. If customer requires substations or transformers connected to the primary distributions system, a system expansion may be required (see Section 2.1.2).

#### **2.3.4.2 Supply Voltage**

The standard secondary supply voltages in Ontario and available at S.T.E.I. are:

- Single Phase Three Wire 120/240V
- Three Phase 4 Wire 120/208V
- Three Phase 4 Wire 600/347V

Normally, service sizes being supplied at the standard secondary supply voltages are limited to 200 Amps. It may be possible to supply a standard secondary voltage up to 400 Amps but each case would have to be evaluated by S.T.E.I.. Furthermore, depending on the secondary supply transformers or bus that "lies along", not all the secondary supply voltages may be available.

## CONDITIONS OF SERVICE

---

For service sizes larger than 200 Amps, transformers installed on customer property and connected to S.T.E.I. primary system are required (Section 2.3.4.1). The transformers can be owned by S.T.E.I. or privately by the customer. Customer owned transformers must meet S.T.E.I. loss specifications which are available on request. If customer owned transformers do not meet S.T.E.I. loss specification, the metering will be on the primary side of the transformer and the customer is responsible for all the primary metering equipment costs.

If other secondary supply voltages are required such as Three Phase 4 Wire 480/277V, customers can purchase and own either step-up 3 Ph 208/480V or step-down 3 Ph 600/480V transformers and install them in their buildings were required.

If customers would like to be supplied at a non standard voltage, they must install a privately owned transformer on their property and make arrangements to have it connected to the primary system (Section 2.3.4.1). Furthermore, the metering will be on the primary side of the transformers and the customer is responsible for all the primary metering equipment costs.

### 2.3.5 Voltage Guidelines

Service voltage at the Customer's service entrance are maintained within the guidelines of Canadian Standards Association CAN3-C235 (latest edition) which allows variations from nominal voltage of,

±6% for Normal Operating Conditions  
±8% for Extreme Operating Conditions

Where voltages lie outside the indicated limits for Normal Operating Conditions but within the indicated limits for Extreme Operating Conditions, improvement or corrective action will be taken on a planned and programmed basis, but not necessarily on an emergency basis. Where voltages lie outside the indicated limits for Extreme Operating Conditions, improvement or corrective action will be taken on an emergency basis. The urgency for such action will depend on many factors such as the location and nature of load or circuit involved, the extent to which limits are exceeded with respect to voltage levels and duration etc.

S.T.E.I. shall practice reasonable diligence in maintaining voltage levels, but is not responsible for variations in voltage from external forces, such as operating contingencies, exceptionally high loads and low voltage supply from the transmitter or host distributor. S.T.E.I. shall not be liable for any delay or failure in the performance of any of its obligations under this Conditions of Supply due to any events or causes beyond the reasonable control of S.T.E.I., including, without limitation, severe weather, flood, fire, lightning, other forces of nature, acts of animals, epidemic, quarantine restriction, war, sabotage, act of a public enemy, earthquake, insurrection, riot, civil disturbance, strike, restraint by court order or public authority, or action or non-action by or inability to obtain authorization or approval from any governmental authority, or any combination of these causes ("Force Majeure").

### **2.3.6 Back-up Generators**

Customers with portable or permanently connected emergency generation capability used for emergency backup shall comply with all applicable criteria of the Ontario Electrical Safety Code. In particular, the Customer shall ensure that Customer's emergency generation does not parallel with S.T.E.I.'s system without a proper interface protection and does not adversely affect S.T.E.I.'s distribution system.

Customers with permanently connected emergency generation equipment shall notify the S.T.E.I. regarding the presence of such equipment.

### **2.3.7 Metering**

S.T.E.I. will supply, install, own, and maintain all meters, instrument transformers, ancillary devices, and secondary wiring required for revenue metering.

Additional metering requirements are listed in the Distribution System Code. Metered Market Participants in the Independent Electricity System Operator ("IESO") administered wholesale market must meet or exceed all IESO metering requirements.

#### **2.3.7.1 General Information**

The Customer is required to supply and install a S.T.E.I. approved meter socket for the use of S.T.E.I.'s self-contained socket meters for the main switch ratings and supply voltages listed in Table 2 appended to these Conditions.

Meter centers installed for individual metering applications must meet the requirements specified in Table 4 appended to these Conditions.

In certain situations, S.T.E.I. requires the Customer to provide a room specifically designed to provide a location for revenue metering equipment and other electrical equipment. Specifications for this electrical room will be provided to the Customer. See Section 3.2.10 for details of electrical room requirements.

Generally, metering will be at utilization (secondary) voltage. Transformers or substations supplied and owned by the Customer will normally be primary-metered, unless the building qualifies for individual tenant metering. Where the Customer provides transformation; utilization (secondary) voltage metering may be allowed. Customer owned transformers must meet S.T.E.I. loss specifications which are available on request. If customer owned transformers do not meet S.T.E.I. loss specification, the metering will be on the primary side of the transformer and the customer is responsible for all the primary metering equipment costs

Regardless of any charges for metering installations, all metering equipment shall remain the property of S.T.E.I. and maintenance of this equipment shall be S.T.E.I.'s responsibility. No person, except those authorized by S.T.E.I., may connect, remove, or otherwise interfere with meters, wires, or ancillary equipment.

## CONDITIONS OF SERVICE

---

The Customer will be responsible for the care and safekeeping of S.T.E.I.'s meters, wires and ancillary equipment on the Customer's premises. If any S.T.E.I. equipment installed on Customer premises is damaged, destroyed, or lost other than by ordinary wear and tear, tempest or lightning, the Customer will be liable to pay to S.T.E.I. the value of such equipment, or at the option of S.T.E.I., the cost of repairing the same.

The location allocated by the owner for S.T.E.I. metering shall provide direct access for S.T.E.I. staff and shall be subject to satisfactory environmental conditions, some of which are:

- Maintain a safe and adequate working space in front of equipment, not less than 1.2 meters (48") and a minimum ceiling height of 2.1 meters (84")
- Maintain an unobstructed working space in front of equipment, free from, or protected against, the adverse effects of moving machinery, vibration, dust, moisture or fumes

Where S.T.E.I. deems self-contained meters to be in a hazardous location, the Customer shall provide a meter cabinet or protective housing.

Any compartments, cabinets, sockets, boxes, or other workspace provided for the installation of S.T.E.I.'s metering equipment shall be for the exclusive use of S.T.E.I. No equipment, other than that provided and installed by S.T.E.I., may be installed in any part of the S.T.E.I. metering workspace.

When a disconnect device has been locked in the "OFF" position by S.T.E.I., under no circumstances shall anyone remove the lock and energize it without first receiving approval from S.T.E.I..

All connections to circuits such as fire alarms, exit lights and Customer instrumentation shall be made to the load side of S.T.E.I.'s metering. No Customer equipment shall be connected to any part of the S.T.E.I. metering circuit.

Non-residential or mixed-use buildings will normally be bulk metered by a single meter. However, where specific areas are clearly and permanently defined and in other respects as a separate entity, individual metering of the loads will be considered.

For all services, the Customer shall supply CSA approved square meter socket bases with the number of jaws indicated for the appropriate service type. Refer to Table 2 appended to these conditions for details.

The location of the indoor or outdoor meter shall be readily accessible at all times and acceptable to S.T.E.I.. The inside meter shall not be in a bathroom, stairway, behind an oil tank, directly under a water or steam pipe or within 460 mm (18 in.) of water, gas, or steam pipes. A space of 910 mm (48 in.) clear of all obstructions shall be provided in front of the meter and service panel and a minimum of 2 feet clearance on either side from permanent walls or stairs. If a meter is required to be recessed or enclosed after installation, prior approval shall be obtained from S.T.E.I..

## CONDITIONS OF SERVICE

---

All outdoor meters shall be located as near as possible to the service entrance box and located within a one meter distance from the front of the building.

The meters shall be grouped where practicable and be accessible from a public area. A copy of the metering layout plan shall be forwarded to S.T.E.I. for review.

All disconnect switches and circuit breakers on the line side of S.T.E.I. metering shall have provisions for padlocking. This includes feeder breakers supplying dry-core transformers, which in turn feed meter centers.

The Customer shall install a permanent non-fading legible label to identify each metered service with respect to its specific address, including unit or apartment number. The identification shall be applied to all service switches, circuit breakers, meter cabinets, and meter mounting devices.

Multiple or grouped meter bases will be accepted only when prior approval has been given by the S.T.E.I. both as to type and proposed location. A completed meter verification form shall be provided to S.T.E.I. prior to energization.

The customer/contractor shall ensure that all service identifications are accurate and by not doing so will be held totally responsible. S.T.E.I. shall issue a meter verification form for this purpose to the owner or contractor.

In any case, a copy of the metering layout plan shall be forwarded to S.T.E.I. for review and approval.

If the distribution of the metered load circuit is in dispute, (i.e.: circuits from one premise is found to supply a second premise) S.T.E.I. reserves the right to transfer all accounts into the Property Owners' name until such time as the problem has been resolved, and the individual metering can be clearly identified with the individual units.

Normally the service to a house will not be energized until the outside finish in the area of the revenue meter has been completed. If exceptions are made to this, then the general contractor constructing the home will be responsible for ensuring that the meter is suitably protected while work is being done on the exterior wall adjacent to the meter. As a minimum, protection shall consist of a wooden box, at least 250 mm (10 in.) deep and constructed to fit around the meter socket base. The general contractor will be entirely responsible for all costs for materials and labour for repairing or replacing a damaged meter.

Where aluminum conductors are used, service entrance equipment must have CSA approval for aluminum conductors.

## CONDITIONS OF SERVICE

---

### **2.3.7.2 Metering Instrument Transformers and Enclosures**

Metering instrument transformers are required on all services over 200 amps. Where instrument transformers are required, they are to be either installed in the metering cabinet or in the switchgear.

Where instrument transformers are installed in the meter cabinet, the Customer is required to supply and install a meter cabinet to contain all of S.T.E.I.'s metering equipment for the main switch ratings and supply voltages listed in Table 3 appended to these Conditions. Where current transformers are to be installed in the secondary bus of metal clad switchgear, S.T.E.I. may request a copy of the shop drawings for review. All switchgear where current transformers are installed must be CSA approved. In cases where the CTs only meter a portion of the metal clad switchgear, a separate disconnect switch must be installed ahead of the metering compartment so that the service can be de-energized without any interruption to the main service supply.

A separate meter cabinet must be supplied and installed by the Customer, located to the satisfaction of S.T.E.I. and as close as possible to the instrument transformer compartment. Generally, one revenue meter only will be allowed. Additional revenue meters will require authorization from S.T.E.I..

In all cases the Customer shall supply suitable cable termination lugs. On all 600/347-volt electrical services that require instrument transformers for metering, an isolated neutral block shall be provided in the meter cabinet. The neutral shall be connected to the isolated neutral block.

Refer to Table 3 appended to these Conditions, for details.

### **2.3.7.3 Metering for Hourly Energy Pricing**

Hourly energy pricing will apply for all new or upgraded services where the peak demand is forecast to be 500 kW or for customers wishing to participate in hourly energy pricing.

A monthly meter service charge will be applied to the Customer's bill relative to the Customer Classification. This rate covers the collection, validation and verification of the meter data used to calculate the monthly bill for energy, distribution services and other associated charges.

The Customer is responsible for the installation of a 13 mm (1/2 in.) conduit from the telephone entrance equipment to the meter cabinet and a voice quality telephone line, terminated in the meter cabinet for the exclusive use of S.T.E.I. to retrieve interval meter data. The Customer will be responsible for the ongoing monthly costs of operating the phone line and the phone line must be active 24 hours per day. This phone line must be installed and functioning prior to meter installation.



## CONDITIONS OF SERVICE

---

If a customer submits a request to read their own interval meter, S.T.E.I. shall make this access available given the following conditions are met.

- The meter has the capability of read-only password protection.
- The customer provides authorization for Third Party metering access.
- Charges may apply for this service.

### **2.3.7.4 Meter Registration**

The Customer must provide or arrange free, safe and unobstructed access during regular business hours to any authorized representative of S.T.E.I. for the purpose of meter reading, meter changing, or meter inspection. Where premises are closed during S.T.E.I.'s normal business hours, the Customer must, on reasonable notice, arrange such access during STEI's regular business hours.

If a meter reading is not obtained, the Customer shall pay a sum based on an estimated demand and/or energy for electricity used since the last meter reading.

### **2.3.7.5 Final Meter Reading**

It is the responsibility of the Account Holder to make the necessary arrangements to have their account closed and a minimum of 3 days notice is required so that a final meter reading can be obtained. If needed, access shall be provided to S.T.E.I. or its agents for this purpose.

It is the responsibility of the Account Holder (tenant) to notify the owner or landlord of their moving date and that they have advised S.T.E.I. to close their account as of the moving date.

If S.T.E.I. is unable to determine the owner or account holder of the property, the service may be disconnected. S.T.E.I. shall not be liable for any damage on the Customer's premises resulting from such disconnection of service.

### **2.3.7.6 Faulty Registration of Meters**

Metering electricity usage for the purpose of billing is governed by the federal Electricity and Gas Inspection Act and associated regulations, under the jurisdiction of Measurement Canada, Industry Canada. S.T.E.I.'s revenue meters are required to comply with the accuracy specifications established by the regulations under the above Act.

In the event of incorrect electricity usage registration, S.T.E.I. will determine the correction factors based on the specific cause of the metering error and the Customer's electricity usage history. The Customer shall pay for all the energy supplied, a reasonable sum based on the reading of any meter formerly or subsequently installed on the premises by S.T.E.I., due regard being given to any change in the character of the installation and/or the demand. If Measurement Canada, Industry Canada determines that the Customer was overcharged, S.T.E.I. will reimburse the Customer for the amount incorrectly billed.

## **CONDITIONS OF SERVICE**

---

If the incorrect measurement is due to reasons other than the accuracy of the meter, such as incorrect meter connection, incorrect connection of auxiliary metering equipment, or incorrect meter multiplier used in the bill calculation, the billing correction will apply for the duration of the error for up to a two-year (2 year) period. S.T.E.I. will correct the bills for that period in accordance with the regulations under the Electricity and Gas Inspection Act.

### **2.3.7.7 Meter Dispute Testing**

Metering inaccuracy is an extremely rare occurrence. Most billing inquiries can be resolved between the Customer and S.T.E.I. without resorting to the meter dispute test.

Either S.T.E.I. or the Customer may request the service of Measurement Canada to resolve a dispute. If the Customer initiates the dispute, S.T.E.I. may charge the Customer a meter dispute fee if the meter is found to be accurate and Measurement Canada rules in favor of the utility.

## **2.4 TARIFFS AND CHARGES**

### **2.4.1 Service Connections**

Charges for distribution services are made as set out in the Rate Schedule available from S.T.E.I. Information about changes will be communicated to all Customers.

Connection fees, which include “Basic Connection Fee”, and “Variable Connection Fee”, are outlined in Table 1 appended to these conditions.

#### **2.4.1.1 Customers Switching to Retailer**

There are no physical service connection differences between Standard Service Supply (SSS) Customers and third party retailers’ Customers. Both Customer energy supplies are delivered through the local Distributor with the same distribution requirements. Therefore, all service connections requirements applicable to the SSS Customers are applicable to third party retailers’ Customers.

#### **2.4.1.2 Supply Deposits and Agreements**

Where an owner proposes the development of premises that require S.T.E.I. to place orders for equipment for a specific project and before actual construction begins the owner is required to sign the necessary Supply Agreement and furnish a suitable deposit before such equipment is ordered by S.T.E.I.

An irrevocable (standby) letter of credit or a letter of guarantee from a chartered bank, trust company or credit union is acceptable in lieu of a cash deposit.

### **2.4.2 Energy Supply**

#### **2.4.2.1 Standard Service Supply (SSS)**

All existing S.T.E.I. Customers are Standard Service Supply (SSS) Customers until S.T.E.I. is informed of their switch to a competitive electricity supplier. The Service Transfer Request (STR) must be completed by the Customer or the Customer's authorized retailer.

#### **2.4.2.2 Retailer Supply**

Customers transferring from Standard Service Supply (SSS) to a retailer shall comply with the Service Transfer Request (STR) requirements as outlined in the Retail Settlement Code.

All requests shall be submitted as electronic file and transmitted through EBT. Service Transfer Request (STR) shall contain information as set out in the Retail Settlement Code.

If the information is incomplete, S.T.E.I. shall notify the retailer or Customer about the specific deficiencies and await a reply before proceeding to process the transfer.

#### **2.4.2.3 Wheeling of Energy**

All Customers considering delivery of electricity through the S.T.E.I. distribution system are required to contact S.T.E.I. for technical requirements and applicable tariffs.

### **2.4.3 Deposits**

S.T.E.I. may use any risk mitigation options available to manage customer non-payment risk. S.T.E.I. shall not discriminate among customers with similar risk profiles or risk related factors except where expressly permitted under the Distribution System Code.

S.T.E.I. will disclose to the customer the reasons for requiring the security deposit.

#### **Residential Customers**

The form of payment of a security deposit shall be cash or cheque at the discretion of the customer or such other form as is acceptable to S.T.E.I.

S.T.E.I. shall permit a residential customer to pay a security deposit in equal instalments over a 6 month period.

S.T.E.I. shall allow a residential customer to repay a security deposit that was applied in full or in part to the residential customers account to offset amounts owing at that time as an attempt to avoid a disconnection notice for non-payment, in equal instalments over a 6 month period. The customer may elect to pay the security deposit over a shorter period of time.

## **CONDITIONS OF SERVICE**

---

### **General Service Customers**

The security deposit will be in the form of cash, cheque or an automatically renewing irrevocable letter of credit from a bank and can be paid equally over a 4 month payment period with the first instalment being due on the implementation of an implied contract or the signing of a service agreement. The customer may elect to pay the security deposit over a shorter period of time. Security deposit must be provided to S.T.E.I by all General Service customers prior to the implementation of service.

### **Method of Calculation and Limit of Security Deposit:**

The maximum amount of the security deposit that a customer is required to pay is calculated as follows;

- Billing Cycle Factors shall be 2.5 times for monthly-billed customers.

Security deposit levels for new customers shall be determined in the following manner;

- Billing Cycle Factor x estimated bill based on customer's average monthly load during the most recent 12 consecutive months within the past two years.
- Where 12 consecutive months of relevant usage information within the past two years is not available, the customer's average monthly load shall be based on a reasonable estimate by S.T.E.I.

### **Limits on amount of security required**

#### **All rate classes:**

The maximum amount of a security deposit shall be calculated based on the Billing Cycle Factor multiplied by the estimated bill based on the customer's average monthly load during the most recent 12 consecutive within the past two years (or S.T.E.I.'s reasonable estimate of monthly load where there is insufficient history).

Where a customer, other than a residential customer, has a payment history which discloses more than one disconnection notice in a relevant 12-month period, S.T.E.I. will use that customer's highest actual or estimated monthly load to calculate the security deposit amount.

## CONDITIONS OF SERVICE

---

### **Non-residential Demand Billed (Equal to or Greater than 50 kW) rate class:**

Despite the above, where the customer provides S.T.E.I. with a credit rating from a recognized credit rating agency, the maximum amount of security deposit shall be reduced in accordance with the following table. The table below uses Standard & Poor's ratings;

#### **Credit Rating**

(Using Standard and Poor's Rating Terminology)

#### **Allowable Reduction in Security Deposit**

AAA- and above or equivalent 100%

AA-, AA, AA+ or equivalent 95%

A-, From A, A+ to below AA or equivalent 85%

BBB-, From BBB, BBB+ to below A or equivalent 75%

Below BBB- or equivalent 0%

### **Exception:**

Despite the above, for non-residential >5,000 kW customer who has established a good payment history for the relevant seven year period, S.T.E.I. will return only 50 per cent of the security deposit held.

#### **Exceptions:**

1. All new residential customers who have had a continuous 1 year (12 month) good payment history with another Local Distribution Company or Gas Utility in Canada. If a customer is claiming an exception due to good payment history with another LDC or Gas Utility the customer must provide a letter from that company documenting a good payment history. The payment history must have occurred in the past 24 months in order to qualify for an exception.
2. All existing residential customers that maintain a 1 year (12 month) good payment history with S.T.E.I..
3. All new residential customers, at their expense, may provide an initial credit check that demonstrates they are a good credit risk, after which the customer must maintain a good payment history acceptable to S.T.E.I. Failure to maintain a satisfactory payment history will result in an immediate security review.

For Low Income Customers that have been qualified by a social agency a security deposit may be waived as per section 2.4.11.1 of the OEB Distribution System Code.

### **Planned Frequency, Process and Timing of Updating Security Deposits:**

S.T.E.I. shall review every customer's security deposit at least once every calendar year to determine whether the entire amount of the security deposit is to be returned to the customer or adjusted based on a re-calculation of the maximum amount of the security deposit.

When S.T.E.I. determines in conducting a review that the maximum amount of the security deposit is to be adjusted upward, S.T.E.I. may require the customer to pay the adjusted amount in equal instalments over a period of 6 months.

A customer may request no earlier than 12 months after payment of a security deposit or the making of a prior request for a review, that S.T.E.I. undertake a review to determine whether the amount of the security deposit is to be returned to the customer or adjusted based on a re-calculation of the maximum amount of the security deposit. If some or all of the security deposit is to be returned to the customer, S.T.E.I. shall promptly return this amount.

Any security deposit received from the customer upon closure of the customer account, shall be applied to the final bill prior to change in service and can be used to off-set other amounts owing by the customer to S.T.E.I. The balance shall be returned within six weeks of closure of the account.

Security deposits must be applied against any arrears and be insufficient to cover any amounts owing before a disconnection notice can be issued to a residential customer. When a security deposit has been applied against any arrears, the residential customer may have to repay the security deposit and must be allowed to repay in equal instalments over at least 6 months.

### **Interest Payable:**

The interest shall accrue monthly on security deposits made by cash or cheque commencing on receipt of the total deposit. The interest shall be at the Prime Business Rate as published on the Bank of Canada website less 2 per cent, updated quarterly. The interest accrued shall be paid at least once every 12 months or on return or application of the security deposit or closure of the account, whichever comes first, and may be credited to the account.

## CONDITIONS OF SERVICE

---

### Criteria Required to Waive or Return Security Deposits:

S.T.E.I. reserves the right to collect a security deposit from a customer unless the customer has a good payment history of:

- 1 year in the case of a Residential customer,
- 5 years in the case of a General Service customer in < 50 kW demand rate class, or
- 7 years in the case of a General Service customer in any other rate class.

The time period that makes up the good payment history must be the most recent period of time.

A customer is deemed to have a good payment history, unless, during the relevant time period the customer has received:

- more than one disconnection notice from S.T.E.I., or
- more than one cheque given to S.T.E.I. by the customer has been returned for insufficient funds, or
- more than one pre-authorized payment to S.T.E.I. has been returned for insufficient funds, or
- a disconnection/collection trip has occurred
- all or part of a security deposit held on file was applied to offset amounts owing by residential customer prior to disconnection of their electricity service for non-payment of account and the customer is required by S.T.E.I. to pay back the security deposit.

### Method of Enforcement where Security Deposit is not Paid:

Failure to pay the security deposit as required will result in the immediate implementation of S.T.E.I.'s collection policy process which may lead to the discontinuation of electrical service.

### 2.4.4 Billing

S.T.E.I. may, at its option, render bills to its Customers on either a monthly, every two months, quarterly or annual basis.

The Customer may dispute charges shown on the Customer's bill or other matters by contacting and advising S.T.E.I. of the reason for the dispute. S.T.E.I. will promptly investigate all disputes and advise the Customer of the results.

## CONDITIONS OF SERVICE

---

### Use of Estimates

For billing periods where a meter reading is not available, the S.T.E.I. may estimate usage in order to determine billing quantities. The estimate is based on historical usage for the Customer or premise or on a pre-determined quantity if there is no historical usage information available.

### 2.4.5 Payments and Late Payment Interest Charges

Bills are rendered for distribution services and electrical energy used by the Customer. Bills are payable in full by the due date. An interest charge will apply on the outstanding balance of each account at a rate approved by the Regulator (OEB). It will be assessed at the time each bill is issued. For current amounts (due by the most recent due date) a charge will apply from the due date to the billing date or the payment date whichever is earlier. If there are arrears prior to the current bill, a charge will apply from the last billing date to the current billing date or payment date which ever is earlier. Partial payments will apply to the oldest arrears first.

Outstanding bills are subject to the collection process and may ultimately lead to the service being disconnected. Service will be restored once satisfactory payment has been made. Disconnection of service does not relieve the Customer of the liability for arrears. S.T.E.I. shall not be liable for any damage on the Customer's premises resulting from such disconnection of service. A reconnection charge will apply where the service has been disconnected.

The Customer will be required to pay additional charges for the processing of non-sufficient fund (N.S.F.) cheques and pre-authorized payments.

Customers will pay special charges and deposits, on request, which may arise from a variety of conditions such as:

- **Deposit.** As a guarantee of payment of bills, Customers may be required to pay a deposit to S.T.E.I.
- **Account Setup Change.** Will apply to all accounts taken over by a new Account Holder.
- **Collection Charge.** There will be a charge for the "Notice of Arrears", which is hand delivered to the service address or mailed to an out of town address if applicable.
- **Reconnection Charge.** A Consumer disconnected for non-payment shall be required to pay a reconnection charge.



## CONDITIONS OF SERVICE

---

### 2.5 Customer Information

The rights of consumers and retailers to access current and historical usage information and related data and the obligations of S.T.E.I. in providing access to such information is outlined in the Retail Settlement Code.

A third party who is not a retailer may request historical usage information with the written authorization of the Customer to provide their historical usage information and a fee may be charged.

S.T.E.I. will provide information appropriate for operational purposes that has been aggregated sufficiently, such that an individual's Customer information cannot reasonably be identified, at no charge to another distributor, a transmitter, the IESO or the OEB. S.T.E.I. may charge a fee that has been approved by the OEB for all other requests for aggregated information.

At the request of a Customer, S.T.E.I. will provide a list of retailers who have Service Agreements in effect within its distribution service area. The list will inform the Customer that an alternative retailer does not have to be chosen in order to ensure that the Customer receives electricity and the terms of service that are available under Standard Supply Service.

Upon receiving an inquiry from a Customer connected to its distribution system, S.T.E.I. will either respond to the inquiry if it deals with its own distribution services or provide the Customer with contact information for the entity responsible for the item of inquiry, in accordance the Retail Settlement Code.

An embedded distributor that receives electricity from S.T.E.I. shall provide load forecasts or any other information related to the embedded distributor's system load to S.T.E.I., as determined and required by S.T.E.I. A Distributor shall not require any information from another Distributor unless it is required for the safe and reliable operation of either Distributor's distribution system or to meet a Distributor's license obligations.

### Protection of Individual Privacy and Customer Information

S.T.E.I. is subject to provincial and federal privacy legislation that contains specific restrictions concerning the collections, use and disclosure of Personal Information.

S.T.E.I. is prohibited from disclosing information regarding a customer to any other party without the written consent of the customer, except where such information is required to be disclosed;

- a) to comply with any legislation or regulatory requirements, including the conditions of the Distribution System License;
- b) for billing, settlement or market operations purposes;
- c) for law enforcement purposes; or
- d) to a debt collection agency for the processing of past due accounts of the customer.

The License permits S.T.E.I. to disclose information regarding a customer where the information has been sufficiently aggregated such that the customer's particular information cannot reasonably be identified.

## CONDITIONS OF SERVICE

---

### SECTION 3 - CUSTOMER CLASS SPECIFIC

All design, construction and maintenance work completed on S.T.E.I. distribution system must be compliant with Regulation 22/04.

S.T.E.I. will undertake the necessary programs to maintain and enhance its distribution plant at its expense. In the event that services or facilities to a Customer need to be restored as a result of these construction or maintenance activities by S.T.E.I., they will be restored to an equivalent condition.

In addition, S.T.E.I. will carry out the necessary construction and electrical work to maintain existing supplies by providing standard overhead or underground supply services to Customers affected by S.T.E.I.'s construction activities. If a Customer requests special construction beyond the normal S.T.E.I. standard installation in accordance with the program, the Customer shall pay the additional cost, including engineering and administration fees.

The following sections refer to services and requirements that are specific to individual Customer Classes. Customers are responsible for notifying S.T.E.I. of any change in classification (Residential, General Service etc).

#### 3.1 RESIDENTIAL

##### Classification Criteria

This classification refers to single-family dwelling units zoned and/or used for domestic or household purposes.

##### 3.1.1 General Information

All installations must adhere to the requirements of the Ontario Electrical Safety Code (latest edition).

Refer to Table 1 appended to these conditions for Point of Demarcation, Connection Fees and Disconnection Fees for Residential Services.

Energy is supplied single phase, 3-wire, having a nominal voltage of 120/240 Volts, up to maximum 200 amps per dwelling unit.

There shall be only one service to a property.

In circumstances where two existing services are installed to a property or land parcel, and one service is to be upgraded, the upgraded service will replace both of the existing services.

Customers under no circumstances are permitted to cut seals, remove or replace meters, disconnect, reconnect, or otherwise tamper with the supply service cables or metering equipment.

## CONDITIONS OF SERVICE

---

S.T.E.I. will be responsible for maintaining services installed by S.T.E.I. or an approved contractor, using approved materials, unless specifically documented otherwise to the Customer.

Where a Customer replaces an existing electrical service panel and the existing meter is located indoors, the meter must be relocated outside as per existing S.T.E.I. specifications for outdoor meters.

Where surface restoration by S.T.E.I. is required following any repairs or maintenance to a service, only soil, sod or seed, gravel or asphalt will be provided.

### **3.1.1.1 Overhead Services**

The Customer is responsible to supply a point of attachment within a distance of 30 meters from the property line. This point of attachment may be a building/dwelling or a service pole.

S.T.E.I. will determine where the point of attachment is placed on the dwelling. If placed on the side of the dwelling, the point of attachment should be within 1 meter (3 feet) of the face of the building.

A bolt through type insulator is to be supplied and installed by the Customer.

The point of attachment must be not less than 4.5 meters (15 feet) nor greater than 5.5 meters (18 feet) above grade (to facilitate proper ladder handling techniques) and mounted 15-30 centimeters (6-12 inches) below the service head.

Clearance must be provided between utility conductors and finished grade of at least 6 meters (19 feet) over traveled portions of the road allowance and 4.5 meters (15 feet) over all other areas. A minimum horizontal clearance of 1.0 meter (39 inches) must be provided from utility conductors and any second story windows.

A mast is required on a residential building where 4.5 meters (15 feet) cannot be maintained on the building. An existing mast that is not fastened to the building with bolted through mast clamps may be used provided it is in good condition and is anchored securely. S.T.E.I. will review these requests on an individual basis and determine if non-bolted clamps will be permitted. This will be determined during the service layout and recorded on the Service Layout form.

### **3.1.1.2 Underground Services**

S.T.E.I. will determine where the meter base is placed on the dwelling. If placed on the side of the dwelling, the meter base shall be within 1.0 meter of the face of the building.

Underground services in overhead areas are approved at the discretion of S.T.E.I.

Where an underground service in an overhead area has been approved by S.T.E.I., the Customer will be required to pay 100% connection costs for the underground service less the Standard Allowance for an overhead service.

## CONDITIONS OF SERVICE

---

The owner shall pay for any necessary road crossings and all civil work done on private property. All civil work including the trench, underground conduit and cable marking tape must meet the Electrical Safety Authority and S.T.E.I. requirements.

The trench route must be approved by S.T.E.I. and is to follow the route indicated on the underground drawing supplied by S.T.E.I. Any deviation from this route must be approved by S.T.E.I. The Customer will be responsible for S.T.E.I.'s costs associated with re-design and inspection services due to changes or deviations initiated by the Customer or Customer agents.

The owner will ensure the provisions for the service entrance and meter meets S.T.E.I.'s approval.

Where there are other services to be installed (i.e. gas, telephone, and cable) these shall be coordinated to avoid conflict with S.T.E.I.'s underground cables. S.T.E.I.'s installation will not normally commence until all other servicing and grading have been completed.

It is the responsibility of the owner or their contractor to obtain excavation locates from all of the utility companies (including Hydro) before digging. This is done by contacting Ontario One Call.

It is the responsibility of the owner to contact S.T.E.I. to inspect each trench prior to the installation of S.T.E.I.'s service cables.

The owner shall ensure that any intended tree planting has appropriate clearance from underground electrical plant.

In the event of a fault on the Customer's underground supply or an adjacent Customer's supply, S.T.E.I. reserves the right to install temporary jumper cables from either a Customer's or a neighbouring Customer's service to maintain power to the affected Customer until the fault is repaired. The connections are made on the line side of the meter and do not affect consumption charges.

### **3.1.1.3 Services and Swimming Pools**

Although the Ontario Electrical Safety Code allows electrical conductors to be located at adequate height, S.T.E.I. will **not** allow utility owned electrical conductors to be located above or below swimming pools. Separation from underground electrical conductors owned by the utility shall meet the requirements of The Electrical Safety Code – Rule 68-056.

Where a new swimming pool is to be installed it will be necessary to relocate, at the property owner's expense, any electrical conductors located directly over or buried under the proposed pool location.

### **3.1.2 Early Consultation**

The Customer shall contact S.T.E.I. prior to commencement of work, to arrange a mutually agreeable service location and supply arrangement.

### 3.1.3 Point of Demarcation

The “Delivery” or “Supply” point is defined as the point on the existing distribution system from which service will be supplied or the location where the connection assets required to connect the Customer are connected to the distribution system. The delivery or supply point will be determined by S.T.E.I. and identified on the service layout form provided by S.T.E.I.

The delivery or supply point might be located on an adjacent property from which S.T.E.I. has an authorized easement. In all cases the final delivery point will be the decision of S.T.E.I..

The Customer must obtain a Delivery Point Location from S.T.E.I. before proceeding with the installation of any service. Failure to do so may result in the Customer equipment having to be relocated at the Customer’s expense.

The ownership point of demarcation for a residential overhead service is the top of the service stack. The operational point of demarcation is at the meter base.

The operational and ownership point of demarcation for a residential underground service is the line side of the meter base.

For Customers whose service entrance is located more than 100 metres from the right-of-way, a high voltage primary line (either overhead or underground) will be required.

The Customer will be responsible to install, own and maintain all primary and secondary cables beyond the point of demarcation, in accordance with the Ontario Electrical Safety Code. The Customer is also responsible for the maintenance and repair of all poles, overhead and/or underground conductors and hardware, cable terminations, cable guards, straps, cable hangers and tree trimming beyond the Point of Demarcation on customer owned pole.

S.T.E.I. will own, maintain and will be responsible for the transformer and the associated protective devices on the customer owned pole and the primary switch on the S.T.E.I. pole as well as the transformer, transformer hardware, and the civil components associated with pad mounted transformers (slab, pull box, grounding).

The Point of Demarcation for overhead primary lines, is at the first pole and the point of demarcation for underground lines is at the primary cable riser connection. S.T.E.I. will fault locate and repair the primary wire at the Customers request and expense, subject to having the required materials in stock.

Refer to Table 1 for Ownership Point of Demarcation information.

### 3.1.4 Access

Service locations requiring access to adjacent properties (mutual drives, narrow side setbacks, etc.) will require the completion of an easement or a “Letter of Permission” from the property owner(s) involved.

## **CONDITIONS OF SERVICE**

---

The Customer will provide unimpeded and safe access to the S.T.E.I. or its agents at all times for the purpose of installing, removing, maintaining, operating or changing metering and distribution equipment.

Where access is required on or along an easement registered in the name of S.T.E.I. to repair, replace or maintain the equipment contained within the easement, the Customer will be required to relocate any buildings, structures, equipment, shrubs, etc. in order to allow the work to be completed. Any repair or replacement costs associated with the relocation of the buildings, structures, equipment, shrubs, etc. will be the responsibility of the customer.

### **3.1.5 Metering**

S.T.E.I. will supply and install a self-contained socket type meter for metering up to and including 200 amps. Self-contained socket meters for the main switch ratings and supply voltages are listed in Table 2 appended to these Conditions.

For single-phase services, 4 jaw socket type meter bases are required and are to be supplied by the Customer or Customer's contractor. The meter base must be approved by the Electrical Safety Authority and be acceptable to S.T.E.I.. S.T.E.I. will not permit round meter bases. For single and semi-detached homes meters are located outside at a location approved by S.T.E.I., within 3 meters of the front of the house.

Meter protection is required for meters bases located adjacent to or along a driveway where, in the opinion of S.T.E.I. the meter could be damaged by a vehicle.

Meter protection is defined as a steel pipe 4 inches in diameter filled with concrete, extending from grade level to 6-8 inches below the meter base and placed directly in front of the base. Other types of meter protection will be approved at the discretion of S.T.E.I..

## **3.2 GENERAL SERVICE**

### **3.2.1 General Information**

This section refers to the supply of electrical energy to non-residential/commercial Customers. For the purposes of these Conditions, residential subdivisions and multi-unit residential buildings and developments are treated as non-residential class Customers. Multi-unit residential buildings include apartment buildings, condominium units, townhouse units and other buildings containing multiple residences.

S.T.E.I. will undertake the necessary programs to maintain its distribution system at its expense, as part of its planned activities during normal business hours, Monday to Friday. Where a Customer requests such planned activities to be done outside normal working hours, then the Customer shall pay the incremental costs. In the event that services or facilities to a Customer need to be restored as a result of these construction or maintenance activities by S.T.E.I., they will be restored to an equivalent condition.

In addition, S.T.E.I. will carry out the necessary construction and maintenance work to maintain existing supplies by providing standard overhead or underground supply services to Customers affected by S.T.E.I. construction activities. If a Customer requests special construction beyond the normal S.T.E.I. standard installation in accordance with the

## CONDITIONS OF SERVICE

---

program, the Customer shall pay the additional cost, including engineering and administration fees.

There shall be only one electrical service to a property.

In circumstances where two existing services are installed to a property or land parcel, and one service is to be upgraded, the upgraded service will replace both of the existing services.

Refer to Table 1 appended to these conditions for Point of Demarcation, Connection Fees and Disconnection Fees for General Services.

General Service Customers are identified in Table 1 as follows:

- Class 2A – General Service – Less than 50 kW Multi-unit Residential (Max. 6 units)
- Class 2B– General Service – Less than 50 kW Commercial
- Class 3A – General Service – Greater than 50 kW (50 kW – 999 kW) Commercial
- Class 3B - General Service – Greater than 50 kW Multi-unit Residential (> 6 units) and Subdivisions
- Class 4 – General Service – 1000 kW and Above (Including Large User)

### 3.2.2 Early Consultation

The Customer or Customer's Representative shall contact S.T.E.I. well in advance of installation commencement to confirm details of the service to allow enough time for delivery of all necessary materials to complete the project on schedule. S.T.E.I. may require 16 to 20 weeks lead-time depending on availability of the transformer and other material.

The Customer or Customer's Representative must complete an Electrical Service Application Form available on request to supply the following information;

- required in-service date;
- voltage requirements;
- requested Service Entrance Capacity and voltage rating of the service entrance equipment;
- proposed Total Load details in kVA and/or kW (Winter and Summer)
- details respecting heating equipment, air-conditioners, motor starting current limitation and any appliance which demand a high consumption of electrical energy;
- grading plan and site plan, to scale, showing the existing and/or proposed building in relation to existing or proposed property lines, and other buildings or structures such as parking garages and loading ramps. The plans shall include vertical and horizontal views of the proposed incoming duct bank from the Point of Entry to the Delivery Point.
- plan, to scale, of the area in which the transformer pad or base is to be located, showing all details of the structure;
- plan, to scale, showing the electrical room and provision for the metering equipment.

## CONDITIONS OF SERVICE

---

### 3.2.3 Point of Demarcation

The “Delivery” or “Supply” point is defined as the point on the existing distribution system from which service will be supplied or the location where the connection assets required to connect the Customer are connected to the distribution system. The delivery or supply point will be determined by S.T.E.I. and identified on the service layout form provided by S.T.E.I. The delivery or supply point might be located on an adjacent property from which S.T.E.I. has an authorized easement. In all cases the final delivery point will be the decision of S.T.E.I.

The Customer must obtain a Delivery Point Location from S.T.E.I. before proceeding with the installation of any service. Failure to do so may result in the Customer equipment having to be relocated at the Customer's expense.

A general service Customer delivery point is at the transformer, secondary buss or as otherwise set by S.T.E.I.

Operational Demarcation Point will normally include equipment up to and including the meter installation.

The Customer is responsible to supply a point of attachment for the attachment of overhead conductors within a distance of 30 meters from the property line, where an overhead service is provided. This point of attachment may be a building, a service pole or other approved structure.

Ownership Demarcation Points are outlined in Table 1 appended to these Conditions.

### 3.2.4 Supply Voltage

Customers requiring transformers connected to S.T.E.I. primary distribution system will be supplied at 3 Phase 4 Wire 27.6KV.

The standard secondary supply voltages in Ontario and available at S.T.E.I. are:

- Single Phase Three Wire 120/240V
- Three Phase 4 Wire 120/208V
- Three Phase 4 Wire 600/347V

Normally, service sizes being supplied at the standard secondary supply voltages are limited to 200 Amps. It may be possible to supply a standard secondary voltage up to 400 Amps but each case would have to be evaluated by S.T.E.I...

For service sizes larger than 200 Amps, transformers installed on customer property and connected to S.T.E.I. primary system are required (Section 2.3.4.1). The transformers can be owned by S.T.E.I. or privately by the customer.

Also refer to section 2.3.4.2



## CONDITIONS OF SERVICE

---

### 3.2.5 Underground Service Requirements

Where the option of an overhead installation cannot be accommodated S.T.E.I. will specify a pad-mounted transformer, underground installation. This will normally be for installations that require a transformer capacity of 150 kVA up to 1000 kVA in a pad mount transformer installation.

Where an underground service is required, Commercial buildings are supplied electrical energy by the underground service through a single point of entry for each land parcel, at a location specified by S.T.E.I.

The Customer may be required to construct or install all civil infrastructure (including but not limited to trenching, underground conduits, transformer vault/pad) on private property that is deemed required by S.T.E.I. as part of its connection requirements. All civil infrastructures are to be in accordance with S.T.E.I.'s current standards, practices, specifications and this Conditions of Service and are subject to S.T.E.I.'s inspection and acceptance.

The Customer is responsible for the maintenance and safe keeping conditions satisfactory to S.T.E.I. of its structural and mechanical facilities located on private property.

The trench route must be approved by S.T.E.I. and is to follow the route indicated on the underground drawing supplied by S.T.E.I. Any deviation from this route must be approved by S.T.E.I. The Customer will be responsible for S.T.E.I.'s costs associated with re-design and inspection services due to changes or deviations initiated by the Customer or its agents.

It is the responsibility of the owner or their contractor to obtain excavation locates from all of the utility companies (including S.T.E.I.) before digging. This is done by contacting Ontario One Call.

It is the responsibility of the owner to contact S.T.E.I. to inspect each trench prior to the installation of S.T.E.I.'s service cables.

### 3.2.6 Temporary Services

A temporary service is a metered service provided for construction purposes or special events. Temporary services can be supplied overhead or underground. The Customer will be responsible for all associated costs for the installation and removal of equipment required for a temporary service to S.T.E.I.'s point of supply.

Temporary services may be provided for a period of no more than 12 months. Temporary services must be renewed thereafter if an extension is required and the equipment for such temporary service must be re-inspected at the end of the 12-month period.

Subject to the requirements of S.T.E.I., supply will be connected after receipt of a 'Connection Authorization' from the Electrical Safety Authority, a signed contract and a deposit from the Customer.

Meter base requirements are outline in section 3.2.11 "Metering".

## CONDITIONS OF SERVICE

---

In the case of temporary overhead services, the Customer shall leave 600 mm (2 feet) of cable at the masthead for connection purposes.

In the case of temporary underground services, the Customer's cable shall extend to S.T.E.I.'s point of supply.

### **3.2.7 Supply of Equipment**

S.T.E.I. is responsible for the operation and maintenance of all S.T.E.I. equipment.

Maintenance or replacement of all S.T.E.I. distribution equipment including underground cables that form part of S.T.E.I. plant circuits shall be performed by S.T.E.I. Following maintenance, surface restoration by S.T.E.I. will include only soil, seed or sod, gravel or asphalt. Where damage can be shown to be the Customer's liability, maintenance and repair are at the Customer's expense.

All material and installations must meet S.T.E.I. specifications.

#### **3.2.7.1 Utility Owned Transformer Installations**

In an existing overhead service area S.T.E.I. typically installs pole-mounted transformers.

Available pole space, transformer size and system operations will determine when pole-mounted transformers are feasible.

If it is not possible to mount the transformer(s) on an existing utility pole, a new pole may be installed on the Customer's property.

The secondary service wire from the pole mount transformer can be installed overhead or underground to the building, S.T.E.I. will be responsible for the installation of all overhead service wire. If secondary underground is approved by S.T.E.I., the Customer will be responsible for the installation of all ductwork, cable guards and conductor for all underground services.

If pad mounted transformers are required, they will be located on customer property and the location approved by S.T.E.I.

Customer responsibilities regarding utility owned transformers are outlined in Table 1 appended to these conditions.

#### **3.2.7.2 Customer Owned Transformer Installations**

For a privately owned transformer, the Customer's transformer must meet the maximum no load and full load losses specified by S.T.E.I. The transformer no load and full load specifications must be submitted to S.T.E.I. for approval before the transformer is ordered.

If the customer's privately owned transformer does not meet S.T.E.I.'s maximum no load and full load losses specification, primary metering will be required.

## **CONDITIONS OF SERVICE**

---

The complete privately owned transformer installation must be inspected by ESA (Electrical Safety Authority) before S.T.E.I. will energize the installation.

Customer responsibilities regarding customer owned transformers are outlined in Table 1 appended to these conditions.

### **Customer Owned Transformer Discount**

Transformer discounts for customer owned transformers are outlined in S.T.E.I. schedule of rates.

### **3.2.8 Short Circuit Capacity**

#### **Available Symmetrical Short Circuit Current (Fault Current) at Customer Service Entrance**

It is the Customer or Customer's electrical contractor responsibility to ensure that the equipment being installed has the appropriate short circuit ratings. The available short circuit current at a customer service entrance supplied by secondary voltages of 120/240V, 208/120V and 600/347V is determined by the transformer size, transformer impedance, conductor size and length of conductor from the transformer to the service entrance. When the service is inspected, Electrical Safety Authority (ESA) may request short circuit levels to ensure that the equipment installed is properly rated.

For utility owned transformers, when requested, S.T.E.I. will either supply the fault current at the transformer secondary terminals or the transformer information so that the customer's contractor can calculate the Fault currents.

The available short circuit current (fault current) at any point on the primary distribution system is determined by the substation transformer size, transformer impedance, conductor size and length of conductor from the substation transformer to the fault. When requested S.T.E.I. will provide the available fault current on the 27.6KV distribution system.

The Electrical Safety Authority (ESA) requires that any customer equipment connected to the 27.6KV distribution system have a Symmetrical Short Circuit Rating of 17,500 Amps regardless of what the available fault current is at any point along the 27.6KV distribution system.

### **3.2.9 Access**

Service locations requiring access to adjacent properties (mutual drives, narrow side setbacks, etc.) will require the completion of an easement or a "Letter of Permission" from the property owner(s) involved.

The Customer will provide unimpeded and safe access to S.T.E.I. or its agents at all times for the purpose of installing, removing, maintaining, operating or changing metering and distribution equipment.

All customer owned substations, switch-gear, metal enclosures and fenced compounds connected to or containing equipment connected to S.T.E.I. high voltage distribution system

## CONDITIONS OF SERVICE

---

shall provide a method of installing a S.T.E.I. padlock in order to provide 24 hr. access and operation by S.T.E.I. as required.

### **3.2.10 Electrical Rooms**

Electrical rooms are required for all apartment building, commercial, industrial and institutional services with indoor meter installations.

S.T.E.I. may require the electric meters for multi-unit residential buildings to be located indoors in an electrical room where the potential for equipment damage or vandalism exists with the outdoor location of the meters.

The owner is required to supply and maintain an electrical room of sufficient size to accommodate the service entrance and meter requirements of the tenants and provide clear working space in accordance with the Ontario Electrical Safety Code.

The Customer will provide unimpeded and safe access to S.T.E.I. at all times for the purpose of installing, removing, maintaining, operation or changing transformers and associated equipment. Access doors, panels, slabs and vents shall be kept free from obstructing objects.

Indoor meters must be located in an electric room on the ground floor of the building. Whenever possible, the electrical room shall be provided with a locked steel constructed door with access to the outside of the building. The door must be signed as "Electrical Room" and the lock must be keyed to S.T.E.I. specifications to allow S.T.E.I. access. This electric room shall not be used for other purposes such as storage.

The electrical room must be located to provide safe access from the outside or main hallway, and not from an adjoining room, so that it is readily accessible to S.T.E.I.'s employees and agents at all hours to permit meter reading and to maintain electric supply. This room must be locked and a key provided to S.T.E.I. for access. The owner is responsible for supplying a new key to S.T.E.I. if the lock is changed for any reason.

Outside doors providing access to electrical rooms must have at least 150mm clearance between final grade and the bottom of the door. Electrical rooms 'on' or 'below' grade must have a drain including a "P" trap complete with a non-mechanical priming device and a backwater valve connected to the sanitary sewer. The electrical room floor must slope 6-mm/300 mm or 2% towards the drain.

The electrical room shall have a minimum ceiling height of 2.2m clear, be provided with adequate lighting at the working level, in accordance with Illuminating Engineering Society (I.E.S.) standards, and a 120 V convenience outlet. The lights and convenience outlet noted above and any required vault circuit shall be supplied from a panel located and clearly identified in the electrical room.

The owner shall identify each Customer's metered service by address and/or unit number with a permanent non-fading legible label. The identification shall apply to all main switches, breakers and to all meter cabinets or meter mounting devices that are not immediately adjacent to the switch or breaker. The electrical room shall be visibly identified

## CONDITIONS OF SERVICE

---

from the outside. The Owner shall inform S.T.E.I. if there are changes made in the unit numbers.

Attached commercial units will have one common electrical room for all attached units. Detached buildings will have the meter located at the detached building or separate electrical room if required.

### **3.2.11 Metering**

S.T.E.I. will supply and install a self-contained socket type meter for metering up to and including 200 amps. Self-contained socket meters for the main switch ratings and supply voltages are listed in Table 2 appended to these Conditions.

If meter cabinets are required, the Customer is required to supply and install a meter cabinet to contain S.T.E.I.'s metering equipment for the main switch ratings and supply voltages listed in Table 3 appended to these Conditions.

Meter centers installed for individual metering applications must meet the requirements specified in Table 4 appended to these Conditions.

Connection charges will include the cost of metering all new meter installations; all three phase service upgrades and single-phase service upgrades exceeding 200 amps.

S.T.E.I. requires a "house meter" on multi-unit residential and commercial buildings where common loads such as lighting, heating etc. exist.

Where meters are added to an existing service, the Customer must first submit a request for a service layout from S.T.E.I. If approved, the Customer will be charged for all S.T.E.I. costs associated with the installation of the new additional meter(s).

S.T.E.I. will only allow individual metering for municipally registered units in multi-unit buildings.

Where individual metering is used, the owner shall identify each Customer's metered service by address and/or unit numbers with a permanent non-fading legible label. Units shall be numbered and a floor plan shall be mounted in a suitable manner in each meter room, indicating the area to which each service box supplies power.

Multiple or grouped meter bases will be accepted only when prior approval has been given by the S.T.E.I. both as to type and proposed location.

The customer/contractor shall ensure that all service identifications are accurate and by not doing so will be held totally responsible. S.T.E.I. shall issue an "Electric Service Meter Base/Service Address Verification Form" for this purpose to the owner or contractor. This form must be completed and returned before S.T.E.I. will energize the service.

## **CONDITIONS OF SERVICE**

---

In any case, a copy of the metering layout plan shall be forwarded to S.T.E.I. for review and approval.

If the distribution of the metered load circuit is in dispute, (i.e.: circuits from one premise is found to supply a second premise) S.T.E.I. reserves the right to transfer all accounts into the Property Owners' name until such time as the problem has been resolved, and the individual metering can be clearly identified with the individual units.

### **Single Phase 120/240 Volt Services**

For single-phase services, 4 jaw socket type meter bases are required and are to be supplied by the Customer or Customer's contractor. Meter bases must be approved by the Electrical Safety Authority and be acceptable to S.T.E.I. S.T.E.I. will not permit round meter bases.

The maximum service size for 120/240 Volt service is 400 amps. Single-phase services rated at 400 amps metered with one revenue meter, will require a meter cabinet to be installed on the load side of the main switch. See Table 3 appended to these Conditions.

In areas where three phase power is not readily available, 400 amp single phase services will be considered for churches, group homes, etc. and light commercial businesses.

### **Residential Type Use – Multiple Meters**

For multi-unit residential-use properties such as row housing, townhouses or condominium units, the meter bases will normally be located outdoors and grouped in one common location where practical. Either "Gang Meter Base" installations or individual meter base installations may be used depending on S.T.E.I. requirements.

In instances where the potential for equipment damage or vandalism exists with the outdoor location of the meters, S.T.E.I. may require the multiple meter bases to be located indoors in an electrical room as per section 3.2.10 "Electrical Rooms".

### **Commercial Type Use – Multiple Meters**

For multi unit commercial-use properties with up to 3 electric meters, including a house meter (maximum 2 metered units) may be located outdoors using a gang meter base and supplied by a single stack.

Where the number of metered units supplied by a 200 amp main service exceed 2 metered units, a main service entrance disconnect switch shall be installed ahead of the splitter trough and meters, and an electrical room will be required as per section 3.2.10 "Electrical Rooms".

Where multiple meters are supplied by one main service and the service capacity exceeds 200 amps, a main disconnect switch will be required rated for the capacity of the main service entrance and an electrical room will be required as per section 3.2.10 "Electrical Rooms".

## **CONDITIONS OF SERVICE**

---

### **Single Phase 208/120 Volt Services**

The metering installation required for apartment buildings is 120/208 Volt “Network Type Metering” installed indoors. The meters are 200 amp, 2 phase – 3 wire self-contained meters.

Apartment buildings will normally consist of 12 units or more. The normal secondary voltage for apartment buildings will be 208/120 Volt. For apartment buildings with four floors or less including the basement all meters are to be located in one location. This location will be the main service entrance room or electrical room. For apartment buildings with more than four floors, additional load distribution rooms will be allowed but must be spaced at no less than every third floor. These rooms must be kept locked at all times and be used only for the purpose of housing electric metering and equipment related to the electric distribution within the building. S.T.E.I. shall be provided with a common key to these electrical rooms.

### **Up to 200 Amp 3 Phase 208/120 Volt and 600/347 Volt Services**

For services up to 200 Amps an indoor installed self-contained socket type meter is used.

Meter bases are to be supplied by the Customer or Customer's contractor and must meet S.T.E.I. specifications and are approved by the Electrical Safety Authority. Meter bases shall be located on the load side of the main switch. Meters and all breakers or switches required are to have 1.0 meter distance for standing room on the handle side switch to allow for safe operation.

Meter centers installed for individual metering applications must meet the requirements specified in Table 4 appended to these Conditions.

### **3.2.12 General Service (Less Than 50 kW)**

#### Classification Criteria

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecasted to be less than, 50 kW.

### **3.3 GENERAL SERVICE (Greater Than 50 kW)**

#### Classification Criteria

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecasted to be equal to or greater than 50 kW but less than 5,000 kW.

## **CONDITIONS OF SERVICE**

---

### **3.3.1 Metering**

Over 200 Amp 3 Phase 208/120 Volt and 600/347 Volt Services

For services exceeding 200 Amps a 13-jaw transformer type meter is used installed inside a cabinet located in an approved electrical room as per Section 3.2.10 “Electrical Rooms”.

Where instrument transformers are installed in the meter cabinet, the Customer is required to supply and install a meter cabinet to contain all of S.T.E.I.’s metering equipment for the main switch ratings and supply voltages listed in Table 3 appended to these Conditions.

Where current transformers are to be installed in the secondary bus of metal clad switchgear, S.T.E.I. may request a copy of the shop drawings for review. All switchgear where current transformers are installed must be CSA approved. In cases where the CTs only meter a portion of the metal clad switchgear, a separate disconnect switch must be installed ahead of the metering compartment so that the service can be de-energized without any interruption to the main service supply.

A separate meter cabinet must be supplied and installed by the Customer, located to the satisfaction of S.T.E.I. and as close as possible to the instrument transformer compartment. Generally, one revenue meter only will be allowed. Additional revenue meters will require authorization from S.T.E.I.

#### **Metering for Hourly Energy Pricing**

Hourly energy pricing will apply for all new or upgraded services where the peak demand is forecast to be 500 kW or for customers wishing to participate in hourly energy pricing.

Refer to Section 2.3.7.3

### **3.3.2 New Residential Subdivisions or Multi-Unit Housing Developments**

New Residential Subdivisions or Multi-Unit Developments involving the construction of new city streets and roadways are treated as Non-Residential Class Customers and involve capital contribution for “Expansion” work, in addition to any applicable Connection Charges. Should the Economic Evaluation identify a shortfall for the Expansion, the Developer has a choice of either completing the portion of plant not yet connected to S.T.E.I.’s system or have S.T.E.I. complete this work in accordance with Section 3.3 of the DSC Code, titled “Alternative Bids”. The Customer will not be allowed to complete construction work on S.T.E.I.’s existing distribution system.

New Residential Subdivisions or Multi-unit complexes not involving new City streets and roadways, but only private property, will follow the general terms and conditions for Connection Charges and Capital Contribution for the appropriate General Service Class Customers.

In all cases, all of the electrical service must be constructed to S.T.E.I.’s standards and in compliance with the Ontario Electrical Safety Code, applicable laws, regulations and codes.



## CONDITIONS OF SERVICE

---

The Developer is required to enter into a Supply Agreement with S.T.E.I. and to pay S.T.E.I. the deposit(s) for ordering of equipment and associated design and construction work for the installation of the proposed underground electrical distribution system. This amount will be paid concurrently with the signing of the Supply Agreement.

In case of conflict between the Supply Agreement and the terms herein, the Supply Agreement shall be binding. All design work including service locations and trench routes must be approved by S.T.E.I.

Also refer to section 2.1.2 System Expansion

### **3.4 GENERAL SERVICE (Above 1000 kW) & LARGE USERS**

Customers with a demand from 50 kW to 4999 kW will be considered to be in the "Over 50 kW Class for billing purposes. Customers with an average demand over 5000 kW will be classified as "Large User" for billing purposes. The applicable billing rates and charges for these classifications will apply.

For the purpose of the conditions for electrical connection and supply as identified within this document, customers with a demand above 1000 kW will be dealt with same as the large user class.

All non-residential Customers with an average peak demand of 1000 kW or higher over the past twelve months are to be considered as Customers over 1000 kW for the conditions of service identified within this document. For new Customers without prior billing history, the peak demand will be based on 90% of the installed transformer capacity.

Where a primary service is provided to a Customer-owned substation, the Customer shall install and maintain such equipment in accordance with all applicable laws, codes, regulations, and S.T.E.I.'s requirements for high voltage installations. S.T.E.I. will provide planning details upon application for service.

All high voltage distribution services are three-phase, four-wire. The Customer is required to bring out a neutral conductor for connection to the system neutral. If not required for Customer's use, this neutral shall be terminated to the Customer's station ground system.

The Customer is responsible to supply a point of attachment within a distance of 30 meters from the property line, where an overhead primary service is provided. This point of attachment may be a primary service pole or approved structure.

S.T.E.I. will provide Customer interface details and requirements for high voltage supplies.

Customer owned substations must be inspected by both the Electrical Safety Authority and S.T.E.I. The owner will provide a pre-service report to S.T.E.I. that must be prepared by a contractor acceptable to S.T.E.I.

The Customer and S.T.E.I. shall inspect their own respective substations in accordance with the Distribution System Code. The minimum inspection cycle for Customer specific substations is one year for open style substations and three years for enclosed style substations. In order to facilitate and encourage the maintenance of this equipment, S.T.E.I. will provide one power interruption annually, at no charge, provided the work is completed

## **CONDITIONS OF SERVICE**

---

during S.T.E.I. normal working hours. Customers will be charged for power interruptions arranged at times other than those outlined above.

Also refer to section 2.1.2 System Expansion

### **3.4.1 Metering**

Refer to Section 3.3.1

#### **3.4.1.1 Primary Metering**

Primary metering installations will be specified by S.T.E.I. and dealt with on an individual basis.

Primary metering details are outlined in Table 5, appended to these Conditions.

### **3.5 EMBEDDED GENERATION**

S.T.E.I. shall collect costs reasonably incurred with making an offer to connect a generator from the entity requesting the connection. Costs reasonably incurred include costs associated with:

- Preliminary review for connection requirements.
- Detailed study to determine connection requirements.
- Final proposal to the generator.

The safety, reliability and efficiency of the distribution system shall not be negatively impacted by the connection of a generator to the system.

The connection and operation of a Customer's embedded generator must not endanger workers or jeopardize public safety, or adversely affect or compromise equipment owned or operated by S.T.E.I., or the security, reliability, efficiency and the quality of electric supply to other Customers connected to S.T.E.I.'s distribution system. If damage or increased operating costs result from a connection with a generator, S.T.E.I. shall be reimbursed for these costs by the generator.

When an embedded generator is connected to S.T.E.I.'s distribution system, the Customer shall provide an interface protection that minimizes the severity and extend of disturbances to S.T.E.I.'s distribution system and the impact on other Customers. The interface protection shall be capable of automatically isolating the generator(s) from S.T.E.I.'s distribution system for the following situations:

- External faults in S.T.E.I.'s distribution system.
- Internal faults within the generator.
- Certain abnormal system conditions, such as over/under voltage, over/under frequency.

## CONDITIONS OF SERVICE

---

Connection requirements are as follows:

1. Approval of the generator's facility by the Electrical Safety Authority.
2. A signed Connection Agreement between the generator and S.T.E.I.
3. Proof that a competent person has performed a Ground Potential Rise Study, if required.
4. A protection coordination review and functional test of the protection has been performed.
5. Proof that a generator's license has been obtained from the OEB.

### 3.5.1 OPA MicroFIT GENERATION

For the latest information, rules and updates on the Ontario Power Authority (OPA) MicroFIT Generation program refer to the OPA website at <http://www.powerauthority.on.ca/>. It should be noted that the requirements for microFIT projects are numerous and detailed. It remains the customer's responsibility to be familiar with the complete requirements as they pertain to the OPA rules, approvals, financial plans, domestic content and other requirements.

If the customer is successful in obtaining a MicroFIT Conditional Offer from the OPA, the customer can then apply to S.T.E.I. for a connection. If S.T.E.I. approves the MicroFIT Generation, the customer must work with S.T.E.I. and satisfy all of the requirements.

### 3.5.2 OPA FIT GENERATION

For the latest information, rules and updates on the Ontario Power Authority (OPA) FIT Generation program refer the OPA website at <http://www.powerauthority.on.ca/>. It should be noted that the requirements for FIT projects are complex and that the steps below only deal with those components relevant to S.T.E.I.. It remains your responsibility to be familiar with the complete requirements as they pertain to the OPA FIT program, environmental approvals, financial plans, domestic content requirements and other requirements.

The customer must complete a pre-FIT Consultation application for S.T.E.I. and apply to the OPA. If approved, the customer must work with S.T.E.I. and satisfy all of the requirements.

### 3.6 EMBEDDED MARKET PARTICIPANT

Under the "Market Rules for the Ontario Electricity Market", Chapter 2, section 1.2.1, "No persons shall participate in the IESO-administered markets or cause or permit electricity to be conveyed into, through or out of IESO-controlled grid unless that person has been authorized by the IESO to do so".

## **CONDITIONS OF SERVICE**

---

All Embedded Market Participants, within the service jurisdiction of S.T.E.I., once approved by the IESO are required to inform S.T.E.I. of their approved status in writing, 30 days prior to their participation in the Ontario Electricity Market.

### **3.7 EMBEDDED DISTRIBUTOR**

S.T.E.I. shall make every reasonable effort to respond promptly to another distributor's request for connection as outlined in the Distribution System Code. All embedded distributors within the service jurisdiction of S.T.E.I. are required to inform S.T.E.I. of their status in writing 30 days prior to the supply of energy from S.T.E.I. The terms and conditions applicable to the connection of an embedded distributor shall be included in the Connection Agreement with S.T.E.I..

The reliability of supply and the voltage level at the delivery point from S.T.E.I.'s distribution system to an embedded distributor's distribution system shall be as good as or better than what is provided to S.T.E.I.'s other distribution Customers.

A distributor shall not build any part of its distribution system in S.T.E.I.'s licensed service area except under the following conditions:

- The part of the distribution system that is to be located inside S.T.E.I.'s service area is dedicated to the delivery of electricity to the distributor who owns the distribution facilities; and
- There is no apparent opportunity for S.T.E.I. and the embedded distributor to share the distribution facilities; and
- S.T.E.I. determines that the presence of the distribution facilities in that location does not impinge on S.T.E.I.'s distribution operations.

A distributor that owns equipment in S.T.E.I.'s licensed service area shall allow S.T.E.I. access to the equipment for the following reasons:

- Emergencies
- When the equipment may cause a violation of a license condition.
- Upon a reasonable request by S.T.E.I.
- In accordance with any arrangement made between the embedded distributor and S.T.E.I.

### **3.8 UNMETERED CONNECTIONS**

All connections to S.T.E.I.'s distribution system will be metered, excluding connections for Street Lighting and Sentinel Lights.

The Customer will be charged, based on applicable rates and energy consumption will be based on the connected wattage and the calculated hours of use.

The Customer will be responsible for all costs associated with the connection.

## **CONDITIONS OF SERVICE**

---

All connections shall meet ESA requirements and will be approved by S.T.E.I. and installed according to S.T.E.I. specifications.

S.T.E.I.'s procedure for "Unmetered Load (Street Light) Process" clearly states the roles and responsibilities of the unmetered load customers and the distributor with respect to keeping load demand and consumption data current. This document is available upon request.

### **3.8.1 Street Lighting**

Provisions will be made for connection to S.T.E.I.'s distribution system for the purpose of providing Street Lighting along City Roadways and Right of Ways.

All services supplied to street lighting equipment owned by or operated for a municipality or the Ministry of Transportation shall be classified as Street Lighting Service. For rate structure details refer to S.T.E.I.'s Rate Schedule.

Street Lighting plant, facilities, or equipment owned by the Customer are subject to the Electrical Safety Authority (ESA) requirements.

### **3.8.2 Sentinel Lights**

Provisions will be made for connection of Sentinel lights to S.T.E.I.'s distribution system for various applications to light private property. For rate structure details refer to S.T.E.I.'s Rate Schedule.

### **3.8.3 Decorative Lighting and Tree Lighting Services**

Decorative or Tree Lighting if connected to the municipal or the Ministry of Transportation Street Lighting system will be treated as a Street Lighting Class of service and shall meet all applicable requirements. For rate structure details refer to S.T.E.I.'s Rate Schedule.

### SECTION 4 - GLOSSARY OF TERMS

#### Sources for definitions:

ACT	Electricity Act, 1998, Schedule A, Section 2, Definitions
DSC	Distribution System Code Definitions
MR	Market Rules for the Ontario Electricity Market, Chapter 11, Definitions
RSC	Retail Settlement Code Definitions
TDL	Transitional Distribution License, Part I, Definitions

“Affiliate Relationship Code” means the code, approved by the Board and in effect at the relevant time, which among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies; (DSC, TDL)

“ancillary services” means services necessary to maintain the reliability of the IESO-controlled grid; including frequency control, voltage control, reactive power and operating reserve services; (DSC, MR, TDL)

“application for service” means the agreement or contract with S.T.E.I. under which electrical service is requested;

“Board” or “OEB” means the Ontario Energy Board; (ACT, DSC, TDL)

“building” means a building, portion of a building, structure or facility;

“Conditions of Service” means the document developed by a distributor in accordance with subsection 2.4 of the Code that describes the operating practices and connection rules for the distributor; (DSC)

“connection” means the process of installing and activating connection assets in order to distribute electricity to a Customer; (DSC)

“Connection Agreement” means an agreement entered into between a distributor and a person connected to its distribution system that delineates the conditions of the connection and delivery of electricity to that connection; (DSC)

“connection assets” means that portion of the distribution system used to connect a Customer to the existing main distribution system, and consists of the assets between the point of connection on the distributor’s main distribution system and the ownership demarcation point with the Customer; (DSC)

“Consumer” means a person who uses, for the person’s own consumption, electricity that the person did not generate; (ACT, DSC, MR, TDL)

“CT” means Current Transformers;

“Customer” means a person that has contracted for or intends to contract for connection of a building. This includes developers or residential or commercial subdivisions; (DSC)

## CONDITIONS OF SERVICE

---

“demand” means the average value of power measured over a specific interval of time, usually expressed in kilowatts (kW). Typical demand intervals are 15, 30 and 60 minutes; (DSC)

“demand meter” means a meter that measures a Consumer’s peak usage during a specific period of time; (DSC)

“developer” means a person or persons owning property for which new or modified electrical services are to be installed;

“disconnection” means a deactivation of connection assets that results in cessation of distribution services to a Consumer; (DSC)

“distribute”, with respect to electricity, means to convey electricity at voltages of 50 kilovolts or less; (ACT, DSC, MR, TDL)

“distribution losses” means energy losses that result from the interaction of intrinsic characteristics of the distribution network such as electrical resistance with network voltages and current flows; (DSC)

“distribution loss factor” means a factor or factors by which metered loads must be multiplied such that when summed equal the total measured load at the supply point(s) to the distribution system; (RSC)

“distribution services” means services related to the distribution of electricity and the service the Board has required distributors to carry out, for which a charge or rate has been approved by the Board under section 78 of the Ontario Energy Board Act; (DSC, RSC)

“distribution system” means a system for distributing electricity, and includes any structures, equipment or other things used for that purpose. A distribution system is comprised of the main system capable of distributing electricity to many Customers and the connection assets used to connect a Customer to the main distribution system; (ACT, DSC, MR, TDL)

“Distribution System Code” means the code, approved by the Ontario Energy Board, and in effect at the relevant time, which, among other things, establishes the obligations of a distributor with respect to the service and terms of service to be offered to Customers and retailers and provides minimum technical operating standards of distribution systems; (DSC, TDL)

“distributor” means a person who owns or operates a distribution system; (ACT, DSC, MR, TDL)

“duct bank” means two or more ducts that may be encased in concrete used for the purpose of containing and protection underground electric cables;

“Electricity Act” means the Electricity Act, 1998, S.O. 1998, c.15, Schedule A; (DSC, MR, TDL)

“EBT” means Electrical Business Transaction;

## CONDITIONS OF SERVICE

---

“Electrical Safety Authority” or “ESA” means the person or body designated under the Electricity Act regulations as the Electrical Safety Authority; (ACT)

“electric service” means the Customer’s conductors and equipment for energy from S.T.E.I.;

“embedded distributor” means a distributor who is not a wholesale market participant and that is provided electricity by a host distributor; (DSC, RSC)

“embedded generator” or “embedded generation facility” means a generator whose generation facility is not directly connected to the IESO -controlled grid but instead is connected to a distribution system; (DSC)

“embedded retail generator” means an embedded generator that settles through a distributor’s retail settlements system and is not a wholesale market participant; (DSC)

“embedded wholesale Consumer” means a Consumer who is a wholesale market participant whose facility is not directly connected to the IESO -controlled grid but is connected to a distribution system; (DSC)

“embedded wholesale generator” means an embedded generator that is a wholesale market participant; (DSC)

“emergency” means any abnormal system condition that requires remedial action to prevent or limit loss of a distribution system or supply of electricity that could adversely affect the reliability of the electricity system; (DSC)

“emergency backup” means a generation facility that has a transfer switch that isolates it from a distribution system; (DSC)

“energy” means the product of power multiplied by time, usually expressed in kilowatt-hours (kWH);

“Energy Competition Act” means the Energy Competition Act, 1998, S.O. 1998, c.15; (MR)

“energy division” means the electricity consumption unaccounted for but that can be quantified through various measures upon review of the meter mechanism, such as unbilled meter readings, tap off load(s) before revenue meter or meter tampering;

“enhancement” means a modification to an existing distribution system that is made for purposes of improving system operating characteristics such as reliability or power quality or for relieving system capacity constraints resulting, for example, from general load growth; (DSC)

“expansion” – means an addition to a distribution system in response to a request for additional Customer connections that otherwise could not be made; for example, by increasing the length of the distribution system; (DSC)

“extreme operation conditions” means extreme operating conditions as defined in the Canadian Standards Association (“CSA”) Standard CAN3-C235-87 (latest edition);



## CONDITIONS OF SERVICE

---

“general service” means any service supplied to premises other than those designated as Residential, Large User, or Municipal Street Lighting. This includes multi-unit residential establishments such as apartment buildings supplied through one service (bulk-metered);

“generate”, with respect to electricity, means to produce electricity or provide ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system; (ACT, DSC, TDL)

“generation facility” means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system, and includes any structures, equipment or other things used for that purpose; (ACT, DSC, MR, TDL)

“generator” means a person who owns or operates a generation facility; (ACT, MR, TDL, DSC)

“host distributor” means the registered wholesale market participant distributor who provides electricity to an embedded distributor; (DSC, RSC)

“house service” means that portion of the electrical service in a multiple occupancy facility which is common to all occupants, (i.e. parking lot lighting, sign service, corridor and walkway lighting etc.);

“IEC” means International Electro technical Commission;

“IEEE” means Institute of Electrical and Electronics Engineers;

“IESO” means the Independent Electricity System Operator established under the Electricity Act; (ACT, DSC, TDL)

“IESO -controlled grid” means the transmission systems with respect to which, pursuant to agreements, the IESO has authority to direct operations; (ACT, DSC, TDL)

“interval meter” means a meter that measures and records electricity use on an hourly or sub-hourly basis; (RSC, DSC)

“load transfer” means a network supply point of one distributor that is supplied through the distribution network of another distributor and where the supply point is not considered a wholesale supply or bulk sale point; (DSC)

“load transfer Customer” means a Customer that is provided distribution services through a load transfer; (DSC)

“main service” refers to S.T.E.I.’s incoming cables, bus duct, disconnecting and protective equipment for a Building or from which all other metered sub-services are taken;

“Market Rules” means the rules made under section 32 of the Electricity Act; (DSC, MR, TDL)

## CONDITIONS OF SERVICE

---

“Measurement Canada” means the Special Operating Agency established in August 1996 by the Electricity and Gas Inspection Act, 1980-81-82-83, c. 87., and Electricity and Gas Inspection Regulations (SOR/86-131); (DSC)

“meter service provider” means any entity that performs metering services on behalf of a distributor; (DSC)

“meter installation” means the meter and, if so equipped, the instrument transformers, wiring, test links, fuses, lamps, loss of potential alarms, meters, data recorders, telecommunication equipment and spin-off data facilities installed to measure power past a meter point, provide remote access to the metered data and monitor the condition of the installed equipment; (RSC, DSC)

“meter socket” means the mounting device for accommodating a socket type revenue meter;

“metering services” means installation, testing, reading and maintenance of meters; (DSC)

“MIST meter” means an interval meter from which data is obtained and validated within a designated settlement timeframe. MIST refers to “Metering Inside the Settlement Timeframe”; (RSC, DSC)

“MOST meter” means an interval meter from which data is only available outside of the designated settlement timeframe. MOST refers to “Metering Outside the Settlement Timeframe”; (RSC, DSC)

“multi-unit dwelling” means a Building which contains more than one self-contained dwelling unit;

“non-competitive electricity costs” means costs for services from the IESO that are not deemed by the Board to be competitive electricity services plus costs for distribution services, other than Standard Supply Service (SSS); (RSC)

“normal operating conditions” means the operating conditions comply with the standards set by the Canadian Standards Association (“CSA”) Standard CAN3-C235-87 (latest edition);

“NPV” means Net Present Value;

“Ontario Energy Board Act” means the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B; (DSC, MR)

“operational demarcation point” means the physical location at which a distributor’s responsibility for operational control of distribution equipment including connection assets ends at the Customer; (DSC)

“ownership demarcation point” means the physical location at which the distributor’s ownership of distribution equipment including connection assets ends at the Customer; (DSC)

## CONDITIONS OF SERVICE

---

“person” includes an individual, a corporation, sole proprietorship, partnership, unincorporated organization, unincorporated association, body corporate, and any other legal entity;

“point of supply”, with respect to an embedded generator, means the connection point where electricity produced by the generator is injected into a distribution system; (DSC)

“private property” means the property beyond the existing public street allowances:

“rate” means any rate, charge or other consideration, and includes a penalty for late payment; (DSC, TDL)

“Regulations” means the regulations made under the Ontario Energy Board Act or the Electricity Act; (DSC, TDL)

“retail”, with respect to electricity means,

- a) to sell or offer to sell electricity to a Customer
- b) to act as agent or broker for a retailer with respect to the sale or offering for sale of electricity, or
- c) to act or offer to act as an agent or broker for a Consumer with respect to the sale or offering for sale of electricity ; (ACT, DSC, MR, TDL)

“Retail Settlement Code” means the code approved by the Board and in effect at the relevant time, which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and Consumers and provides for tracking and facilitating Consumers transfers among competitive retailers; (DSC, TDL)

“retailer” means a person who retails electricity; (ACT, MR, TDL, DSC)

“service agreement” means the agreement that sets out the relationship between a licensed retailer and a distributor, in accordance with the provisions of Chapter 12 of the Retail Settlement Code; (RSC)

“service area,” with respect to a distributor, means the area in which the distributor is authorized by its license to distribute electricity; (ACT, DSC, TDL)

“service date” means the date that the Customer and S.T.E.I. mutually agree upon to begin the supply of electricity by S.T.E.I.

“Standard Supply Service Code” means the code approved by the Board and in effect at the relevant time, which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act; (TDL)

“sub-service” means a separately metered service that is taken from the main Building service’

## CONDITIONS OF SERVICE

---

“supply voltage” means the voltage measured at the Customer’s main service entrance equipment (typically below 750 volts). Operating conditions are defined in the Canadian Standards Association (“CSA”) Standard CAN3-C235 (latest edition);

“temporary service” means an electrical service granted temporarily for such purposes as construction, real estate sales, trailers, etc.

“transformer room” means an isolated enclosure built to applicable code to house transformers and associated electrical equipment;

“transmission system” means a system for transmitting electricity, and includes any structures, equipment or other things used for that purpose; (ACT, DSC, MR, TDL)

“Transmission System Code” means the code, approved by the Board, that is in force at the relevant time, which regulates the financial and information obligations of the Transmitter with respect to its relationship with Customers, as well as establishing the standards for connection of Customers to, and expansion of the transmission system; (DSC)

“transmitter” means a person who owns or operates a transmission system; (ACT, DSC, MR, TDL)

“unmetered loads” means electricity consumption that is not metered and is billed based on estimated usage; (DSC)

“wholesale buyer” means a person that purchases electricity or ancillary services in the IESO -administered markets or directly from a generator; (DSC, TDL)

“wholesale market participant”, means a person that sells or purchases electricity or ancillary services through the IESO -administered markets; (DSC, RSC)

“wholesale settlement cost” means costs for both competitive and non-competitive electricity services billed to a distributor by the IESO or a host distributor, or provided by an embedded retail generator or by a neighboring distributor; (DSC, RSC)

“wholesale supplier” means a person who sells electricity or ancillary service through the IESO -administered markets or directly to another person, other than a Consumer; (DSC, TDL)

## CONDITIONS OF SERVICE

### Section 5 - TABLES

**Table 1 Demarcation Points, Connection Fees and Disconnection Fees**

The range of connections listed below may not be available in all areas due to limitations within the distribution system.

Customer Class (Service Type)	Ownership Demarcation Point	Basic Connection - includes the following connection assets	Basic Connection Fee - Subject to Annual Review	Variable Connection Fee	Customer Responsibilities and Other Charges	Service Disconnection Fee (Initiated by Customer)
<b>Class 1 - Residential Class - Single Service for single family detached or semi-detached</b>						
<b>Overhead</b>	Top of Customer's service mast	Up to 30 m OH service wire from S.T.E.I. supply pole inc. connections, standard revenue meter (one meter per unit) and equipment credit for transformation	No Charge - Recovered through distribution rates	Customer charged actual costs for connection assets above and beyond basic connection.	Customers requesting an UG service in an OH area will be required to pay 100% connection costs less the Standard Allowance for an OH service Customer responsible for all trenching, conduit, road crossings and restoration.	<u>Service Upgrade</u> No charge for Cut & Reconnect – (maximum 200 amp)  No Charge for permanent removal of Connection Assets
<b>Underground</b>	Line side of Customer's meter base	Same as Residential Class overhead	No Charge - Recovered through distribution rates	Customer charged actual costs for connection assets above and beyond basic connection	Customers requesting an UG service will be required to pay 100% connection costs less the Standard Allowance for an OH service Customer responsible for all trenching, conduit, road crossings and restoration.	<u>Service Upgrade</u> No charge for Cut & Reconnect – (maximum 200 amp)  No charge for permanent removal of Connection Assets
<b>Class 2A – General Service – Less than 50 kW – Multi unit residential (Maximum 6 units)</b>						
<b>Overhead</b>	Top of Customer service mast	Up to 30 m OH service wire from S.T.E.I. supply pole inc. connections, one standard revenue meter per unit (plus house meter if req'd) and equipment credit for pole mounted transformation	No Charge - Recovered through distribution rates as determined through economic evaluation based on averaged connection costs.	Customer charged actual costs for connection assets above and beyond basic connection.	Customers requesting an UG service will be required to pay 100% connection costs less the Std. Allowance for an OH service	<u>Service Upgrade (Up to max. 6 units)</u> Cut & Reconnect \$350.00 plus \$150.00 for new conductor (if req'd)
<b>Underground</b>	Line side of Customer's meter base				Customer responsible for all trenching, conduit and restoration.	

## CONDITIONS OF SERVICE

Class 2B - General Service - Less than 50 kW – Commercial						
<b>Overhead - Single Building Service</b>	Top of Customer's service mast	Up to 30 m OH service wire from S.T.E.I. supply pole inc. connections, one standard revenue meter and averaged cost for transformation	<b>120/240V</b> Up to 100A \$2,400.00 200A \$4,364.00  <b>208/120V</b> Up to 100A \$4,674.00 200A \$8,376.00  <b>600/347V</b> Up to 100A \$5,657.00	Customer charged actual costs for connection assets above and beyond basic connection  Interval meters, if requested, will be included in the variable connection fee.	Customer responsible for costs associated with additional or redesign due to changes in Customer's original request.	<u>Service Upgrade</u> Customer charged applicable Basic Connection Fee (Transformer credit may apply – See Sec. 2.1.1.1 b)

## CONDITIONS OF SERVICE

Customer Class (Service Type)	Ownership Demarcation Point	Basic Connection - includes the following connection assets	Basic Connection Fee - Subject to Annual Review	Variable Connection Fee	Customer Responsibilities and Other Charges	Service Disconnection Fee (Initiated by Customer)
<b>Underground - Single Building Service</b>	Point of connection at utility supply point. This could be secondary buss (UG or OH) or transformer secondary spade. Secondary service conductor supplied, installed and owned by Customer. (Subject to ESA inspection.)	Connections at utility supply point, one standard revenue meter and averaged cost for transformation.	<b>120/240V</b> Up to 100A \$2,251.00 200A \$4,159.00  <b>208/120V</b> Up to 100A \$4,447.00 200A \$7,872.00  <b>600/347V</b> Up to 100A \$5,430.00	Customer charged actual costs for connection assets above and beyond basic connection  Interval meters, if requested, will be included in the variable connection fee.	Customer responsible for costs associated with additional or redesign due to changes in Customer's original request.  Customer responsible for all trenching, conduit, secondary conductor, road crossings, restoration and all applicable permits and approvals.	<u>Service Upgrade</u> Customer charged applicable Basic Connection Fee (Transformer credit may apply – See Sec. 2.1.1.1 b)  No Charge for permanent removal of Connection Assets
<b>Class 3A - General Service - Greater than 50 kW (50 kW - 999 kW) Commercial</b>						
<b>Overhead - Single Building Service (Not requiring transformers on private property)</b>	Top of Customer's service mast	Up to 30 m OH service wire from S.T.E.I. supply pole inc. connections, standard revenue meter (interval meter if required) and averaged cost for transformation.	Customer charged actual costs to provide connection. Costs to include all labour, equipment, material, transformers, metering, engineering and administration charges.	100% of connection asset cost recovered through "Basic Connection Charge".	Customer responsible for costs associated with additional or redesign due to changes in Customer's original request.	Customer charged fixed, average costs associated with service upgrade, disconnection and/or removal of all connection assets up the demarcation point.
<b>Underground - Single Building Service (Not requiring transformers on private property)</b>	Point of connection at utility supply point. This could be secondary buss (UG or OH) or transformer secondary spade. Underground secondary service conductor owned by Customer.	Connections at utility supply point, standard revenue meter (interval meter if required) and averaged cost for transformation.	Customer charged actual costs to provide connection.  Costs to include all labour, equipment, material, transformers, metering, engineering and administration charges.	100% of connection asset cost recovered through "Basic Connection Charge".	Customer responsible for costs associated with additional or redesign due to changes in Customer's original request. Customer responsible for secondary conductor from point of supply to main disconnect, all trenching, conduit, road crossings, restoration and all applicable permits and approvals.	Customer charged fixed, average costs associated with service upgrade, disconnection and/or removal of all connection assets up the demarcation point.
<b>Overhead - Single Building Service (Requiring utility owned transformers on private property)</b>	Top of Customer's service mast (OH secondary) or Point of connection at utility supply point. This could be secondary buss (UG or OH) or transformer secondary spade. Secondary service conductor owned by Customer. (UG secondary)	Up to 30 m of 3 phase OH primary conductor and neutral wire from S.T.E.I. supply pole, transformer pole and transformer(s) inc. connections, standard revenue meter (interval meter if required)	Customer charged actual costs to provide connection.  Costs to include all labour, equipment, material, cables, duct work as applicable, transformers, metering, engineering and administration charges.	100% of connection asset cost recovered through "Basic Connection Charge".	Customer responsible for costs associated with additional or redesign due to changes in Customer's original request. Customer responsible for UG secondary conductor from point of supply to main disconnect, all trenching, conduit, road crossings, restoration and all applicable permits and approvals.	Customer charged actual costs associated with service upgrade, disconnection and/or removal of all connection assets inc. cables, transformers and associated equipment up the demarcation point.

## CONDITIONS OF SERVICE

Customer Class (Service Type)	Ownership Demarcation Point	Basic Connection - includes the following connection assets	Basic Connection Fee - Subject to Annual Review	Variable Connection Fee	Customer Responsibilities and Other Charges	Service Disconnection Fee (Initiated by Customer)
<b>Underground - Single Building Service (Requiring utility owned transformers on private property)</b>	Point of connection at utility supply point. This point of connection will be the transformer secondary spade. Underground secondary service conductor owned by Customer.	Up to 30 m of 3 phase UG primary conductor from S.T.E.I. supply pole, and transformer inc. connections, standard revenue meter (interval meter if required). Connection point on distribution system that lies along the Customer's building. Design of connection based on original Customer request.	Customer charged actual costs to provide connection.  Costs to include all labour, equipment, material, cables, duct work as applicable, transformers, metering, engineering and administration charges.	100% of connection asset cost recovered through "Basic Connection Charge".	Customer responsible for costs associated with additional or redesign due to changes in Customer's original request  Customer responsible for secondary conductor from point of supply to main disconnect, all trenching, conduit, road crossings, restoration and all applicable permits and approvals.	Customer charged actual costs associated with service upgrade, disconnection and/or removal of all connection assets inc. cables, transformers and associated equipment up the demarcation point.
<b>Class 3B - General Service - Greater than 50 kW Multi-unit Residential (more than 6 units) and Subdivisions</b>						
<b>Overhead or Underground - Multi-unit residential housing development (No transformers required on private property)</b>	Top of Customer's service mast (OH secondary) or Point of connection at utility supply point. This could be secondary buss (UG or OH) or transformer secondary spade. Secondary service conductor owned by Customer. (UG secondary)	Not Applicable	Economic Evaluation completed to determine connection fees	Economic Evaluation completed to determine connection fees	Connection Agreement required.  Developer to provide security as required by S.T.E.I.	Customer charged actual costs associated with service upgrade, disconnection and/or removal of all connection assets inc. cables, transformers and associated equipment up the demarcation point.
<b>Overhead or Underground - Multi-unit residential housing development (Requiring utility owned transformers on private property)</b>	Top of Customer's service mast (OH secondary) or Point of connection at utility supply point. This could be secondary buss (UG or OH) or transformer secondary spade. Secondary service conductor owned by Customer. (UG secondary)	Not Applicable	Economic Evaluation completed to determine connection fees	Economic Evaluation completed to determine connection fees	Connection Agreement required.  Developer to provide security as required by S.T.E.I.	Customer charged actual costs associated with service upgrade, disconnection and/or removal of all connection assets inc. cables, transformers and associated equipment up the demarcation point.
<b>Residential Subdivision Development</b>	Line side of Customer's meter base (UG). Top of Customer's service mast (OH)	Not Applicable	Economic Evaluation completed to determine connection fees	Economic Evaluation completed to determine connection fees	Electrical Distribution System Servicing Agreement required.  Developer to provide security as required by S.T.E.I.	Not Applicable



## CONDITIONS OF SERVICE

Customer Class (Service Type)	Ownership Demarcation Point	Basic Connection - includes the following connection assets	Basic Connection Fee - Subject to Annual Review	Variable Connection Fee	Customer Responsibilities and Other Charges	Service Disconnection Fee (Initiated by Customer)
<b>Class 4 - General Service - 1000 kW and Above (Including Large User)</b>						
<b>Overhead or Underground Supply to Customer Owned Substation or Customer Owned Transformers</b>	First point of attachment on private property for OH primary line (Customer owned pole or structure within 30m of property line)  Load side of utility owned switchgear or primary junction for UG supply.	Connection point on distribution system that lies along the Customer's building. Overhead or underground primary conductors (3 phase and neutral), connection to distribution system. Interval revenue metering at secondary voltage. Design of connection based on original Customer request.	Customer charged actual costs to provide connection.  Costs to include all labour, equipment, material, engineering and administration charges.  The cost of Primary Metering, if required, will be included in the Basic Connection Fee.	100% of connection asset cost recovered through "Basic Connection Charge".	Customer responsible for costs associated with additional or redesign due to changes in Customer initial request; inspection and related feeder switching and scheduling	One annual power interruption to facilitate station maintenance at no charge, provided work is completed during S.T.E.I. normal working hours.  All other interruptions the Customer is charged actual costs associated with service upgrade, disconnection and/or removal of all connection assets up the demarcation point including related switching and scheduling.

## CONDITIONS OF SERVICE

### **Section 5 - TABLES**

**Table 2**      **Meter Sockets (Section 2.3.7.1)**

#### **Self Contained Socket Metering**

Voltage	Phase	Wire	Meter Socket (See description below)	Maximum Service Switch Size Rating in Amperes
120/240	1	3	A	200
208/120	2	3	B	200
208/120	3	4	C	200
600/347	3	4	C	200
600 **	3	3	D	200

\*\* Used only where grounded supply is not available.

#### **Meter Socket Descriptions**

- A** - 4 Jaw socket type square - Standard Square Base - 100A Overhead and 60A Off Splitter  
- 200A Jumbo Type – 200A Overhead and All Underground
- B** - 5 Jaw socket type with the "5" jaw at the 9 o'clock position c/w #12 white wire from "5" jaw to an insulated neutral block in the meter base.
- C** - 7 Jaw meter base with the "7" jaw at the 6 o'clock position c/w #12 white wire from "7" jaw to an insulated neutral block in the meter base.
- D** - 5 Jaw socket type with the "5" jaw at the 9 o'clock position c/w #12 yellow wire from "5" jaw to the "B" phase terminal on the load side of the main disconnect switch.

#### **Notes:**

1. A list of approved meter sockets is available upon request.
2. Meter sockets shall be mounted so that the midpoint of the meter is set at 68" from finished grade or floor level. Meter base location shall be determined by S.T.E.I.
3. Where the supply is from a 4-wire 600/347-volt system, metering shall be 4-wire. Where the Customer does not require a neutral, a full size neutral conductor sized in accordance with Table 17 of the Electrical Safety Code must be provided to all meter cabinets or sockets. The neutral conductor is to be terminated in the socket (or cabinet) on an insulated neutral block in accordance with the Ontario Electrical Safety Code.
4. Three phase meter bases shall be mounted on the load side of the main switch.

## **Section 5 - TABLES**

**Table 3      Meter Cabinets (Section 2.3.7.2)**

### **Meter Cabinets**

Voltage	Phase	Wire	Main Switch Size in Amperes	Meter Cabinets (See description below)
120/240	1	3	400**	A
208/120	3	4	Over 200 – 800	B
600/347			Over 800	A (Instrument transformers in switchgear or primary metered installation)
600 *	3	3	Over 200 – 800	B
			Over 800	A (Instrument transformers in switchgear or primary metered installation)

\* Use only where grounded 4 wire supply not available.

\*\* If the meter base is remote from the cabinet, a "self-shorting" meter base shall be used.

### **Meter Cabinet Descriptions**

**A** - 30" X 30" X 12" complete with removable 26" X 26" back plate.

**B** - 48" X 48" X 12" complete with removable 44" X 44" back plate.

### **Notes:**

1. Meter cabinets shall be fabricated with a minimum #16 gauge steel
2. Cabinets shall have side-hinged doors opening at the center and be equipped with a three-point latching device and complete with a provision for padlocking.
3. The cabinet shall be mounted a maximum distance of 78" from the floor to the top of the cabinet and a minimum of 24" from the floor to the bottom of the cabinet.
4. Where two or more circuits are used in one meter cabinet, S.T.E.I. will issue specific metering requirements.
5. Normally the current transformers will be installed in the meter cabinet and the Customer's contractor shall supply and install connectors to terminate the conductors at the current transformers. The neutral must be connected to an isolated neutral block within the meter cabinet for 600/347-volt services.
6. For installations where the current transformers are remote from the meter cabinet a 30" X 30" X 12" meter cabinet may be used. The Customer is responsible to supply and install an 1 1/4" conduit to connect the two locations. The length of this conduit shall not exceed 150 ft.
7. Outdoor meter cabinets will not normally be permitted and must be approved by S.T.E.I. If approved, only "outdoor type" waterproof cabinets shall be used.

## **Section 5 - TABLES**

### **Table 4      Meter Centers (Section 2.3.7.1)**

Meter centers may be used for installations of 750 volts or less, provided they meet the following specifications:

1. Side-hinged doors or panels shall be installed over all sections of the switchboard where S.T.E.I. may be required to work, such as unmetered sections and those sections containing breakers, switches and meter mounting devices. Hinged doors or panels shall have provisions for sealing or padlocking in the closed position. Where bolts are used, they shall be of a captive knurled type. The hinged covers over breakers or switches shall be constructed so the covers cannot be opened when sealed or padlocked.
2. Breakers or switch handles shall have provisions for sealing or padlocking in the "off" position.
3. Meter mounting devices shall be wired/connected on the load side of the breakers or switches. (Cold metering)
4. Each combination meter socket and breaker panel shall have adequate space for permanent Customer identification with respect to street address and/or unit number.
5. The center of the finished floor. The center of the top row of meter sockets shall not be more than 72" from the finished floor.
6. The distance between horizontally or vertically adjacent meter socket rims shall not be less than 6".
7. The meter mounting socket and sealing ring shall be acceptable to S.T.E.I..
8. Where a neutral is required, the meter-mounting device shall have a pre-wired ungrounded neutral connection to the 5th or 7th terminal. The connection, if not made directly to the neutral buss, shall be not less than #12 AWG copper.

### **Section 5 - TABLES**

**Table 5**      Primary Metering

The following is provided only as a guideline regarding primary metered installations. S.T.E.I. will provide specific requirements and specifications for each individual installation.

1. Primary metering installations will be specified by S.T.E.I. and dealt with on an individual basis.
2. The equipment may be a fully contained metering tank or individual current and potential transformers and all other necessary equipment.
3. The primary metering PTs and CTs and the metering cabinet can be mounted at various locations indoors or outdoors depending on the application.
4. The Customer's contractor must provide a 30" L X 30" W X 12" D lockable metering cabinet with removable back plate.
5. Outdoor cabinets must be water proof in design and acceptable to S.T.E.I.
6. The Customer's contractor must supply a 1-1/4" conduit to connect the primary PTs and CTs terminal box to the metering cabinet. The two locations and the length of this conduit cannot exceed 150 feet.
7. Primary metering locations require interval metering. Since the Utility reads interval meter remotely via telephone line, the Utility requires telephone line access to the meter. The customer must provide dedicated phone line for the meter phone line and locate it inside the metering cabinet.

### **SECTION 6 - REFERENCES**

1.     **Economic Evaluation Model for Distribution System Expansion**  
        Refer to Appendix B of the Distribution System Code: “Methodology and Assumptions for an Economic Evaluation”
2.     **Sample Standard Connection Agreement**  
        Refer to Appendix D of the Distribution System Code: “Information in a Connection Agreement with Customer”
3.     **Sample Operations Agreement between the Distributor and an Embedded Generator**  
        Refer to Appendix E of the Distribution System Code: “Information in a Connection Agreement with a Generator”