St. Thomas energy inc.
We're Your Local Power Distributor

a division of **Ascent**

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

September 9, 2014

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

Re: St Thomas Energy Inc. EB-2014-0113
2015 Cost of Service Electricity Distribution Rate Application
Responses to Interrogatories

Dear Ms. Walli:

In accordance with PO1, please find accompanying this letter, STEI's responses to interrogatories submitted by Board staff and intervenors. An electronic copy of these responses has been filed via the Board's Regulatory Electronic Submission System.

Please contact the undersigned if you have any questions with regard to STEI's submission.

Yours Truly,
St. Thomas Energy Inc.

Robert Kent, CPA, CGA
Director, Finance and Regulatory Affairs
rkent@sttenergy.com
(519) 631- 5550 x 5258

St. Thomas Energy Inc.

2015 Cost of Service

Response to Energy Probe Interrogatories

EB-2014-0113

Rates Effective: January 1, 2015

Date Filed: September 9, 2014

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File Number: EB-2014-0113

Date Filed: September 9, 2014

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St. Thomas energy inc.
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File Number: EB-2014-0113

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Exhibit 1

1-Energy Probe-1

Ref: Exhibit 1, Tab 5, Schedule 1, Page 19

STEI recorded $248 000 of one time smart meter expenses and $419 000 of one time amortization associated with the smart meter disposition.

a) Please provide a breakdown of the $248 000 into the years the expenses were actually incurred.
b) Please confirm that the $419 000 of amortization costs were not included in the 2012 OM&A costs. If this cannot be confirmed, please explain why an amortization expense was classified as an OM&A expense.
c) Please explain why the return to customers of a PILs expense was classified as an OM&A expense in 2012.

Response:

a) The following table provides the breakdown of the actual operating and capital expenditures, the actual OM&A costs were $247,071.

Smart Meter Transfer	2010	2011	Total
Smart Meter Capital	2,393,291	689,196	**3,082,487**
Computer Hardware	16,624	31,851	**48,475**
Computer Software	81,444	27,259	**108,703**
Tools & Equipment	28,110	-	**28,110**
Total Capital	**2,519,469**	**748,306**	**3,267,775**
OM&A	51,876	195,195	**247,071**
Interest Exp	7,112	41,416	**48,528**
Total OM&A	**58,988**	**236,611**	**295,599**
Amortization	**181,977**	**237,020**	**418,997**

b) STEI confirms that amortization expense was not included in OM&A costs.

c) The PILS expense comment on lines 11 and 12 of page 19 was a general comment that did not belong in this section. The impact of the PIL decision was a variable revenue reduction that was not recorded as an expense.

1-Energy Probe-2

Ref: Exhibit 1, Tab 5, Schedule 2

Please provide a summary of the results of the April 2014 survey noted on page 2. Please also provide the complete survey.

Response:

Following is a summary of STEI's 2014 UtilityPULSE report card. Complete survey is attached to this response.

St. Thomas Energy's UtilityPULSE Report Card®

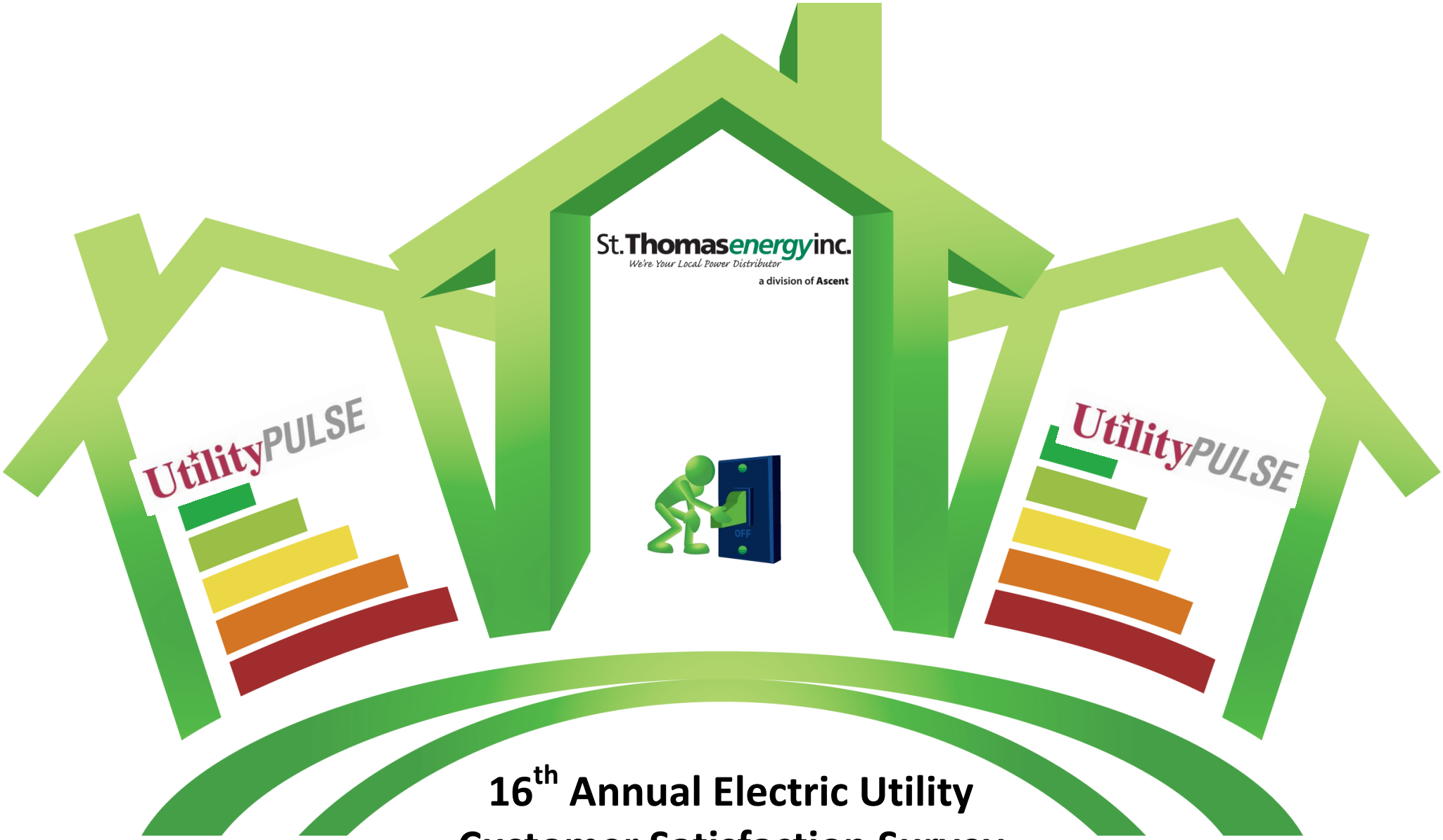
Performance

	CATEGORY	St. Thomas Energy	National	Ontario
1	**Customer Care**	**B+**	**B+**	**B**
	Price and Value	B	B	C+
	Customer Service	A	B+	B
2	**Company Image**	**A**	**B+**	**B+**
	Company Leadership	A	B+	B+
	Corporate Stewardship	A	A	B+
3	**Management Operations**	**A**	**A**	**A**
	Operational Effectiveness	A	A	B+
	Power Quality and Reliability	A+	A	A
	OVERALL	**A**	**B+**	**B+**

Attachment 1 of 1

Utility Pulse

St. Thomas Energy Inc.



16th Annual Electric Utility Customer Satisfaction Survey

The purpose of this report is to profile the connection between St. Thomas Energy Inc. and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information that will support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card® and survey analysis contained in this report do not merely capture state of mind or perceptions about your customers' needs and wants - the information contained in this survey provides actionable and measurable feedback from your customers.

All comments and questions should be addressed to:

Sid Ridgley, UtilityPULSE division, Simul Corporation

Toll free: 1-888-291-7892 or Local: 905-895-7900

Email: sidridgley@utilitypulse.com or sridgley@simulcorp.com

Executive summary

Rosemarie LeClair, Chair of the Ontario Energy Board, in a recent presentation (Ontario Energy Network, April 28, 2014) said the OEB's consumer centric regulatory framework defines the utility's obligation for planning, obligations for customer engagement and its responsibilities for monitoring and measuring performance results.

EB-2010-0379 Report of the Board: Scorecard Approach (ROB-SA) (March 5, 2014)

Throughout this report are connections to the OEB's Report of the Board. Where possible we have addressed the specifics in the document and, the "spirit" of the Scorecard Approach.

We believe that the data from interviewing over 10,000 electric utility customers so far, in 2014, supports 3 main conclusions:

1- Customers, almost universally, are concerned about the cost of electricity

2- Customers are resilient and can adapt to adversity, in fact, they are very tolerant when a utility goes through a very difficult situation

3- In a utility world that is used to "pushing information out", it has to invest in and hone its competencies in having 2-way interactions with customers.

Reasonable costs

9,943 Ontario survey respondents were asked if they agree or disagree with the following statement *"The cost of electricity is reasonable when compared to other utilities".* 50% agree in 2014, and 62% agreed in 2010. Satisfaction with the utility is about the same in those respective years.

We can also say that issues in the electricity industry, as a whole, show that satisfaction ratings and other important measures are lower in 2014 than they were in 2013. A customer may be upset with the amount that electricity costs, or what is going on in the industry, but that may not translate to being upset with their own local utility.

Data from the 2014 survey shows that respondents who give their utilities high marks for respect, trust, and social responsibility also give their utilities high marks for providing high quality services, and better marks for both cost efficiency and reasonableness of costs.

The attributes which help an LDC to be seen as trusted and highly credible are: knowledge, integrity, involvement and trust. On demonstrating Credibility and Trust, St. Thomas Energy has done well. Overall, St. Thomas Energy 84% [Ontario 77%; National 80%].

EB-2010-0379 ROB-SA: Comparability

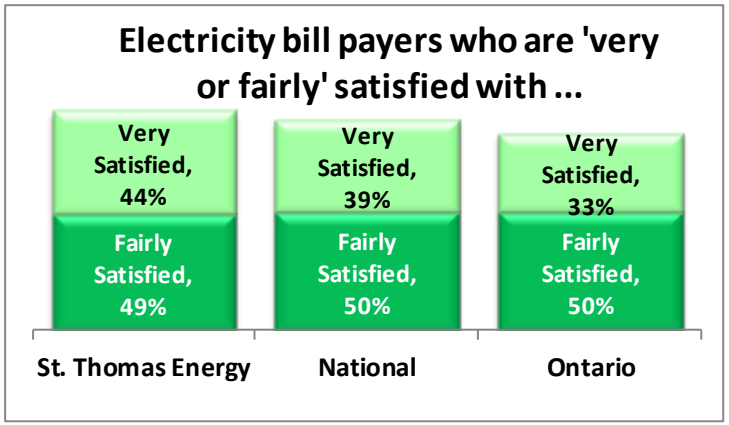
Your 2014 report contains data comparisons to:

- An Ontario-wide LDC benchmark
- A National LDC benchmark
- Previous year's ratings (where available)

- Ontario LDCs participating in the 2014 survey
- UtilityPULSE database

EB-2010-0379 ROB-SA: Customer Focus

There are 2 identified Performance Categories in the OEB Report, they are Customer Satisfaction & Service Quality. Performance measurements for these areas range from *'relatively easy to attain production statistics'* to '*harder to define and measure qualitative items'*. None-the-less this survey provides you with insights about how customers perceive performance of the utility.



Base: total respondents

EB-2010-0379 ROB-SA: Customer Focus - Customer Satisfaction - Satisfaction Survey Results

Customer satisfaction is one of the measures in the consumer centric regulatory framework. This rating is known as an effectiveness rating as it represents a sum total of perceptions and expectations that a customer has about their utility. Those expectations go far beyond "keeping the lights on", "billing me properly", and "restoring power quickly".

St. Thomas Energy SATISFACTION SCORES – Electricity customers' satisfaction					
Top 2 Boxes: 'very + fairly satisfied'	**2014**	**2013**	**2012**	**2011**	**2010**
PRE: Initial Satisfaction Scores	93%	-	91%	-	90%
POST: End of Interview	92%	-	95%	-	96%

Base: total respondents / (-) not a participant of the survey year

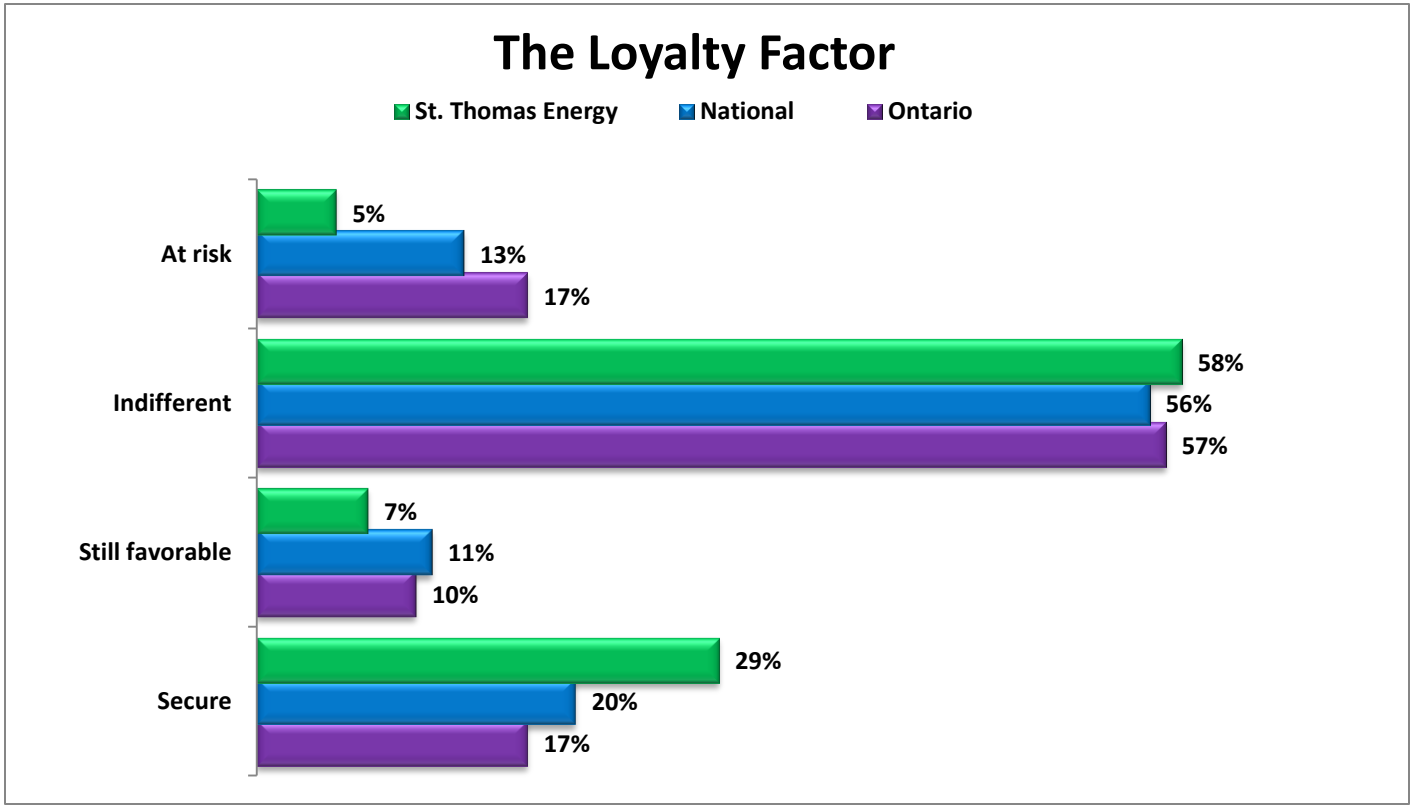
- ***Satisfaction*** *happens when utility core services meet or exceed customer's needs, wants, or expectations.*
- ***Loyalty*** *(Affinity) occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.*

Customer Affinity

Loyalty, for private industry, is a behaviourial metric. Loyalty, for natural monopolies (like LDCs) is an attitudinal metric.

Customer Loyalty Groups				
	Secure	**Favorable**	**Indifferent**	**At Risk**
St. Thomas Energy				
2014	29%	7%	58%	5%
2013	-	-	-	-
2012	35%	13%	46%	5%
2011	-	-	-	-
2010	23%	12%	55%	9%

Base: total respondents / (-) not a participant of the survey year



Base: total respondents

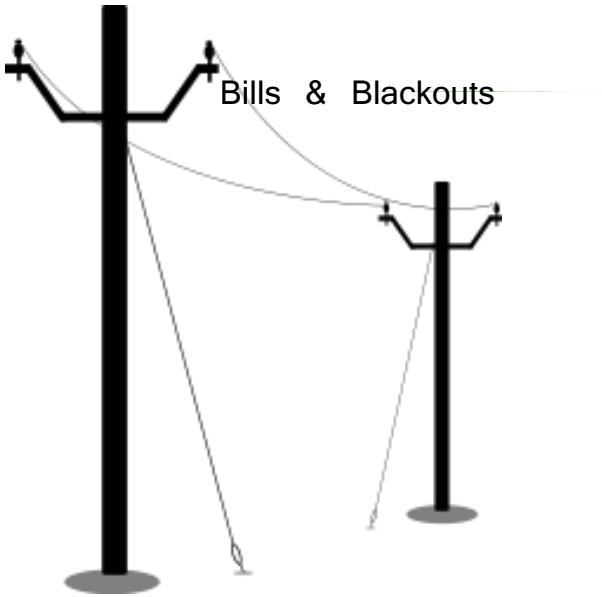
Utilities benefit from a trusted relationship with their empowered Customers. Higher levels of trust are the hallmarks of Secure customers. When people interact, either face-to-face, by telephone or on-line, if people do not trust each other, the interaction is not going to be efficient. Trust improves the

speed at which the interaction can be accomplished. At Risk customers recall experiencing more outages and more billing problems than Secure customers. What makes matters worse is, At Risk customers are about 2X more likely to contact the utility to deal with it.

None-the-less problems will happen.

The Killer B's (Blackouts and Bills)

It is inevitable that there will be blackouts/power outages – the key is how a utility anticipates outages and more importantly, how it deals with them. It should also be noted that there is a disconnect between what a utility might call a "billing problem" and what a customer defines as a "billing problem". Though both viewpoints are valid, employees need to be trained to answer those which cause the most concern with customers.



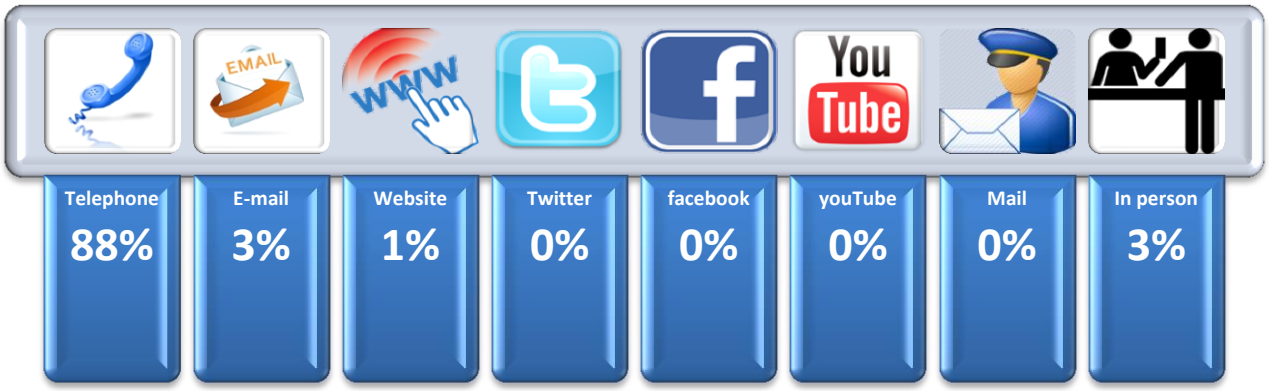
Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	St. Thomas Energy	National	Ontario
2014	66%	47%	49%
2013	-	41%	35%
2012	20%	44%	46%
2011	-	43%	43%
2010	22%	45%	41%

Base: total respondents / (-) not a participant of the survey year

Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	St. Thomas Energy	National	Ontario
2014	17%	16%	25%
2013	-	8%	10%
2012	6%	12%	13%
2011	-	10%	16%
2010	8%	10%	12%

Base: total respondents / (-) not a participant of the survey year

What method did you use to contact your electric utility when you had a problem?



Base: data from the full 2014 database

Customers may prefer a particular communication channel today (i.e., 88% telephone), however, that does not mean the customer who prefers the telephone will not want, or eventually want another

channel for communications. In addition, there could be variances in preferences based on the type of issue or transaction.

EB-2010-0379 ROB-SA: Customer Focus – Customer Satisfaction – Billing Accuracy

There is a difference between what a customer believes is a billing problem versus a technical or production level measurement. Without the benefit of production level numbers, 87% of respondents 'agree strongly + somewhat' that the utility has "accurate billing". The Ontario benchmark rating is 77%.

EB-2010-0379 ROB-SA: Customer Focus – Customer Satisfaction – First Contact Resolution

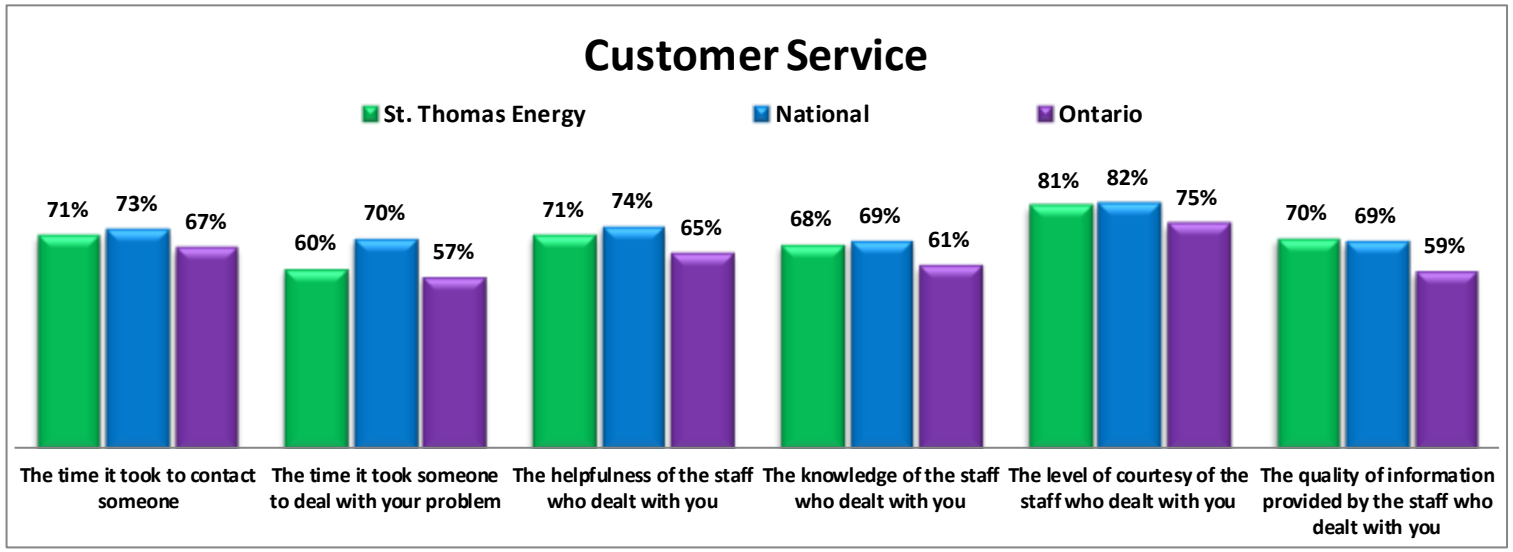
This performance measure is not defined in the EB-2010-0379 ROB-SA March 5, 2014 document. First contact resolution is an outcome base measurement which is affected by: type of problem, competency levels of staff, empowerment levels of staff, and organization culture to name a few.

Your 2014 survey gives you the following information from respondents:

1- Satisfaction with the contact experience
2- A problem solved rating
3- A Customer Experience Performance rating (CEPr)

Satisfaction with the contact experience

When there are problems, how they are handled can validate or invalidate a customer's perception about the utility's competency in handling the problem, and in running the operation. Here is how Customers, who contacted your LDC, rated their one-on-one transaction.



Base: total respondents who contacted the utility

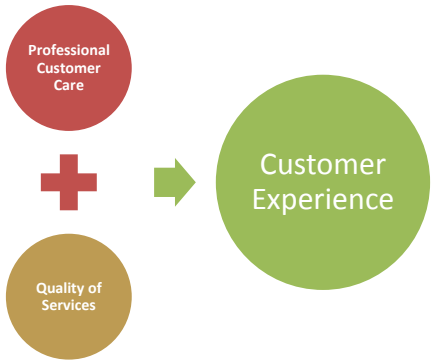
Customer expectations are on the rise and continue to change. Customers expect their utility to have customer care practices and services that are in-line with any other organization that is important to their everyday life. Setting realistic expectations and consistently delivering to those expectations are keys to higher levels of Customer satisfaction. The setting of customer expectations is tough, but the harder part is to deliver consistency.

Overall satisfaction with most recent experience			
	St. Thomas Energy	National	Ontario
Top 2 Boxes: 'very + fairly satisfied'	70%	75%	62%

Base: total respondents who contacted the utility

Problem solved rating

Respondents who said that they contacted the utility were also asked "Do you consider the problem solved or not solved?" 77% of your LDC's respondents said the problem was solved. The Ontario benchmark rating is 61%.



Customer Experience Performance rating (CEPr)

What do customers anticipate contact will be with their local utility when they have a problem? Will it be adversarial, or cooperative, or pleasant, etc. High numbers in CEPr indicate that a large majority of customers would agree that their next contact will be a good or positive one.

Customer Experience Performance rating (CEPr)			
	St. Thomas Energy	National	Ontario
CEPr: all respondents	86%	82%	79%

Base: total respondents

EB-2010-0379 ROB-SA: Customer Focus – Service Quality

The three performance measures identified are all time based measures. They are: New Residential Services Connected on Time; Scheduled Appointments Met on Time; and, Telephone Calls Answered on Time. These are good examples of efficiency measures. In addition to time, there are other dimensions of Service Quality that Customers value.

Customer Service Quality			
Top 2 boxes, 'strongly + somewhat agree'	**St. Thomas Energy**	**National**	**Ontario**
Deals professionally with customers' problems	85%	82%	78%
Pro-active in communicating changes and issues affecting Customers	80%	74%	73%
Quickly deals with issues that affect customers	85%	79%	74%
Customer-focused and treats customers as if they're valued	81%	74%	72%
Is a company that is 'easy to do business with'	87%	79%	75%
Cost of electricity is reasonable when compared to other utilities	62%	60%	55%
Provides good value for money	72%	67%	63%
Delivers on its service commitments to customers	88%	84%	82%

Base: total respondents with an opinion

EB-2010-0379 ROB-SA: Operational Effectiveness

With the exception of the Public Safety measure, which is yet to be defined, performance measures would typically take the form of a monitoring and measuring (quantitative) rating. Though customers may not have the benefit of numbers, they do have a perception.

Management Operations			
Top 2 boxes, 'strongly + somewhat agree'	**St. Thomas Energy**	**National**	**Ontario**
Provides consistent, reliable electricity	90%	89%	86%
Quickly handles outages and restores power	90%	86%	83%
Makes electricity safety a top priority for employees and contractors	90%	89%	87%
Operates a cost effective electricity system	77%	69%	62%
Overall the utility provides excellent quality services	88%	83%	80%

Base: total respondents with an opinion

UtilityPULSE Report Card®

The purpose of the UtilityPULSE Report Card is to provide your utility with a snapshot of performance – it represents the sum total of respondents' ratings on 6 categories of attributes that research has shown are important to customers in influencing satisfaction and affinity levels with their utility.

St. Thomas Energy's UtilityPULSE Report Card®

Performance

	CATEGORY	St. Thomas Energy	National	Ontario
1	**Customer Care**	**B+**	**B+**	**B**
	Price and Value	B	B	C+
	Customer Service	A	B+	B
2	**Company Image**	**A**	**B+**	**B+**
	Company Leadership	A	B+	B+
	Corporate Stewardship	A	A	B+
3	**Management Operations**	**A**	**A**	**A**
	Operational Effectiveness	A	A	B+
	Power Quality and Reliability	A+	A	A
	OVERALL	**A**	**B+**	**B+**

Base: total respondents

Corporate Image

Reputation, image, brand have to be actively managed. Positive impressions beget positive perceptions. Marketing communication includes positioning the utility in a way that makes customers want your utility and its services. Every utility has a brand, why not have the brand you want?

Attributes strongly linked to a hydro utility's image			
	St. Thomas Energy	National	Ontario
Is a respected company in the community	88%	81%	78%
A leader in promoting energy conservation	83%	78%	77%
Keeps its promises to customers and the community	84%	79%	76%
Is a socially responsible company	87%	78%	77%
Is a trusted and trustworthy company	87%	82%	77%
Adapts well to changes in customer expectations	79%	71%	68%
Is 'easy to do business with'	87%	79%	75%
Provides good value for your money	72%	67%	63%
Overall the utility provides excellent quality services	88%	83%	80%
Operates a cost effective hydro-electric system	77%	69%	62%

Base: total respondents with an opinion

Customers, as human beings, are both rational and emotional. The rational side of the customer holds the LDC accountable for doing its job (as contracted), thereby fulfilling the customer's basic needs. The emotional side of the customer is about fulfilling expectations. Meeting rational needs – at best – gets the customer to a neutral state and at worst creates dissatisfaction. Emotional needs, when met, assuming base level rational needs are met, can move a customer from neutral to higher levels of satisfaction. The

industry is obsessed with rational concerns about customer behaviour, but the real motivation for customer behaviour is emotional, not rational.

What do customers think about electricity costs?

Ask a utility customer – anywhere in the province of Ontario – what do they think about electricity, there is a very high probability they will say electricity costs are too high or too expensive. For customers who said that they had a billing problem in the last 12 months, and stated that the problem was "high bills" or "high rates or charges", there was very little variability between customers who could be called Secure, Favourable, Indifferent or At Risk. There was also very little variability between age groupings or income groupings.

Our survey database shows 50% more customers in 2014 citing complaints with "high bills" or "high rates or charges" than in 2010. There is a growing concern over electricity costs, especially as it relates to its portion of a household budget. This means the industry needs to monitor "ability to pay".

Is paying for electricity a worry or major problem …			
	St. Thomas Energy	National	Ontario
Not really a worry	67%	69%	59%
Sometimes I worry	23%	20%	26%
Often it is a major problem	7%	7%	11%
Depends	2%	3%	2%

Base: total respondents

Supplemental Insights

Recognizing that customers' interests and needs continue to shift, we have provided data and insights, on a number of subjects such as e-care, e-billing, conservation and more.

Electric Industry Knowledge & SMART Grid

Beyond knowing that they need electricity to maintain their day to day activities, does the average person feel that they are actually knowledgeable about the electric utility industry?

Knowledge level about the electric utility industry	
	Ontario
Extremely knowledgeable	2%
Very knowledgeable	11%
Moderately knowledgeable	47%
Slightly knowledgeable	26%
Not very knowledgeable	14%
Don't know	1%

Base: total respondents in the Ontario Benchmark survey

Two-thirds (60%) of those polled in the Ontario Benchmark survey considered themselves moderately to extremely knowledgeable about the electric industry.

While it is evident that the SMART grid is still not a much talked about concept, only 34% have a basic or good understanding of what it is, oddly enough, 60% still think that it is important to pursue SMART grid implementation. It is also clear that the majority of respondents are very + somewhat supportive of the utility working with neighbouring utilities on SMART grid initiatives.

Level of knowledge about the SMART Grid	
	Ontario
I have a fairly good understanding of what it is and how it might benefit homes and businesses	9%
I have a basic understanding of what it is and how it might work	25%
I've heard of the term, but don't know much about it	36%
I have not heard of the term	29%
Don't know	1%

Base: total respondents in the Ontario Benchmark survey

Efforts to reduce energy consumption

Do customers believe there is a real pay-off for trying to reduce their energy consumption? Does this impact overall efforts to reduce consumption? Respondents were asked *"How active have you been in trying to reduce your electricity consumption?"* (Base: total respondents in the Ontario Benchmark survey)

- 94% feel they are "very + somewhat active" in trying to reduce electricity consumption, and
- 81% of those do believe their efforts have resulted in reduced energy consumption, of which
- 44% estimate that they were able to offset an energy consumption reduction of more than 10%, and
- 72% believe that these efforts translated to savings on their electricity bills.

Level of Activity in trying to reduce electricity consumption	
	Ontario
Very active	52%
Somewhat active	42%
Neither proactive or inactive	0%
Not active	2%
Not very active	3%

Base: total respondents in the Ontario Benchmark survey

Estimate of percentage reduction in consumption	
	Ontario
1 – 2 %	5%
3 – 5 %	10%
6 – 8 %	4%
9 – 10 %	15%
More than 10%	44%
Don't know	21%

Base: total respondents in the Ontario Benchmark survey whose active efforts have reduced consumption

Active efforts have reduced energy consumption

81%

16%

Base: total respondents in the Ontario Benchmark survey who have been active in trying to reduce energy consumption

Efforts to conserve have translated into savings on your electricity bill

72%

24%

Base: total respondents in the Ontario Benchmark survey whose active efforts have reduced consumption

Energy Conservation & Efficiency

Energy efficiency can be broken down into two areas: *better use of energy through improved energy-efficient technologies;* and *energy saving through changes in customer awareness and behaviour.*

Efforts to conserve energy		
Conservation/efficiency efforts "already done"	**Ontario LDCs**	**St. Thomas Energy**
Install energy-efficient light bulbs or lighting equipment	70%	65%
Install timers on lights or equipment	35%	26%
Shift use of electricity to lower cost periods	58%	63%
Install window blinds or awnings	60%	56%
Install a programmable thermostat	60%	60%
Have an energy expert conduct an energy audit	16%	26%
Removing old refrigerator or freezer for free	38%	41%
Join the peaksaverPLUS™ program	21%	14%
Replacing furnace with a high efficiency model	52%	54%
Replacing air-conditioner with a high efficiency model	44%	46%
Use a coupon to purchase qualified energy saving products	22%	19%

Base: An aggregate of respondents from 2014 participating LDCs

E-care and E-billing

Technology – specifically the internet—has allowed people access to far more information than ever before and the ability to do more than ever before.

Do you have access to the internet?		
	Ontario LDCs	St. Thomas Energy
Yes	87%	81%
No	13%	19%

Base: An aggregate of respondents from 2014 participating LDCs

Over the past six months have you accessed your local utility website?

14% **86**%

The respondents who actually accessed the utility's website were asked how frequently they would visit the website:

	Ontario LDCs	St. Thomas Energy
• **Once per month**	30%	40%
• **Less often than once per month**	47%	40%

Base: An aggregate of respondents from 2014 participating LDCs

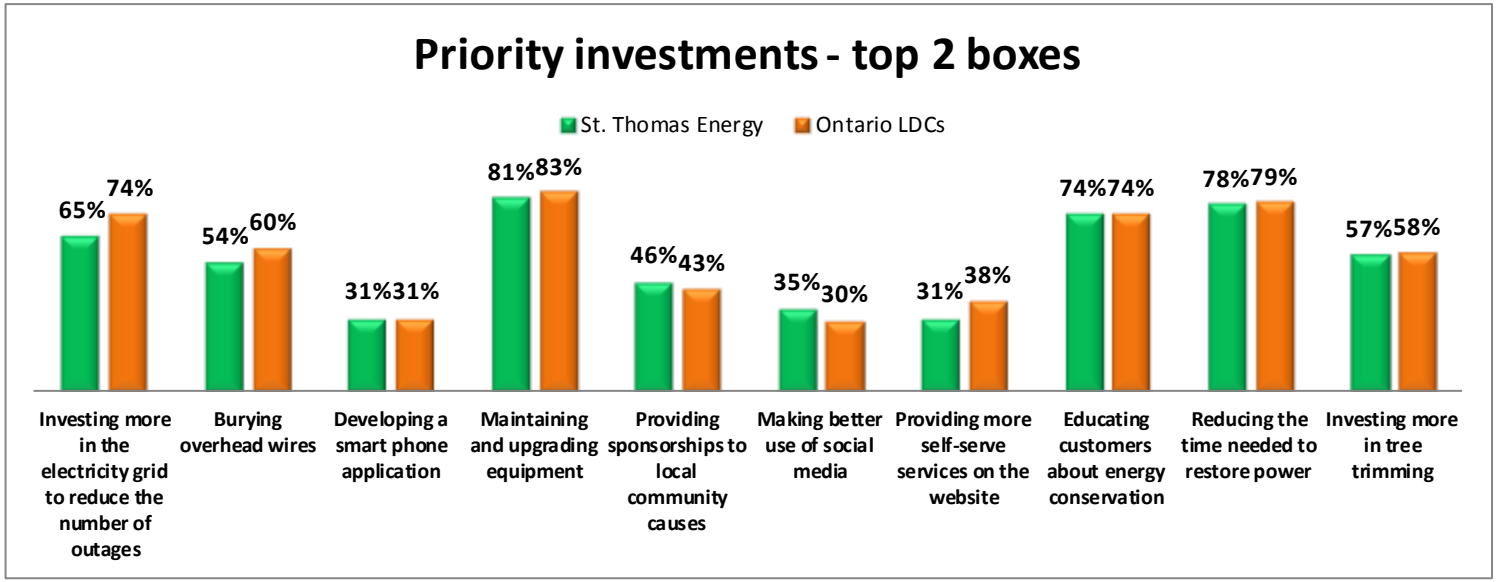
Likelihood of using the internet for future customer care needs for things such as:		
Top 2 Boxes: 'very + somewhat likely'	**Ontario LDCs**	**St. Thomas Energy**
Setting up a new account	31%	7%
Arranging a move	38%	12%
Accessing information about your bill	55%	26%
Accessing information about your electricity usage	54%	21%
Accessing energy saving tips and advice	45%	16%
Accessing information about Time Of Use rates	51%	21%
Maintaining information about your account or preferences	51%	16%
Paying your bill through the utility's website	32%	12%
Getting information about power outages	47%	19%
Arranging for service	40%	16%

Base: An aggregate of respondents from 2014 participating LDCs

As society becomes increasingly more familiar with technology it will become a more popular medium for giving and receiving information. One could also say, demographics will also put more pressure on the technology channels. Unfortunately, customers adopt technology on their own timetable. This causes the utility to continue to improve existing channels while building the technological channels wanted by some today, but by the year 2020, demanded by many. Will your utility be ready?

Priority Investments

While regulation and reliability are top concerns in the utility industry, aging infrastructure is now a top operational concern. Customers agree with industry insiders that infrastructure renewal is a high priority. This year, respondents were asked for their views about prioritizing investments.



Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local

Some findings shown above correlate with some of the suggestions made by respondents on things the utility could do to improve. Percentage of comments received from all Ontario respondents were:

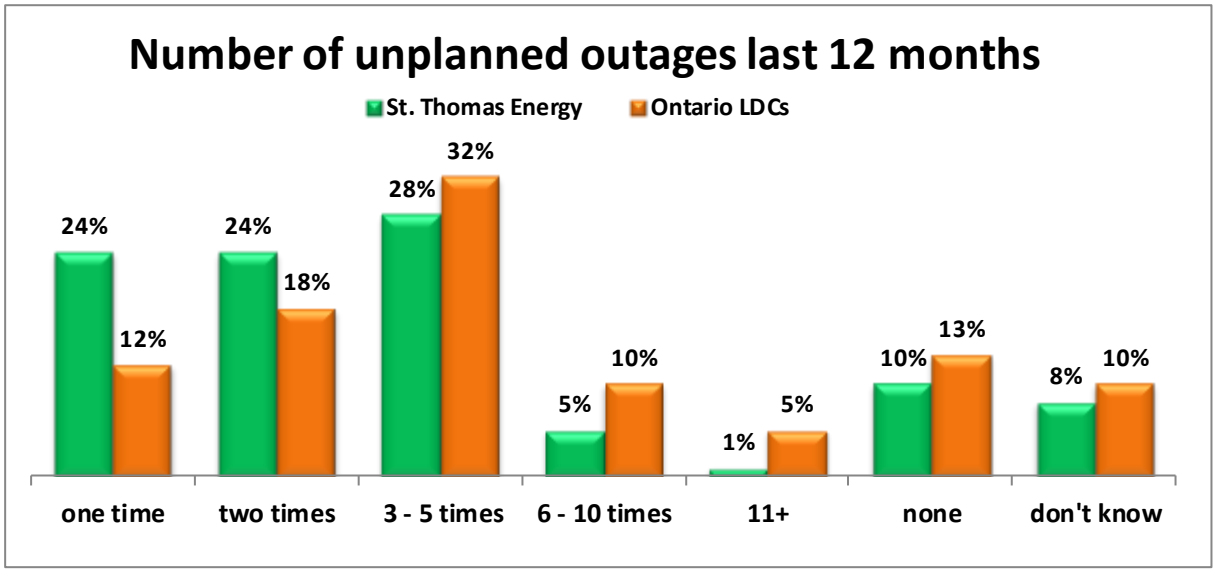
- 14% improve reliability (10% in 2010)
- 11% better maintenance (3% in 2010)

- 10% better communication (7% in 2010)

Outage Management

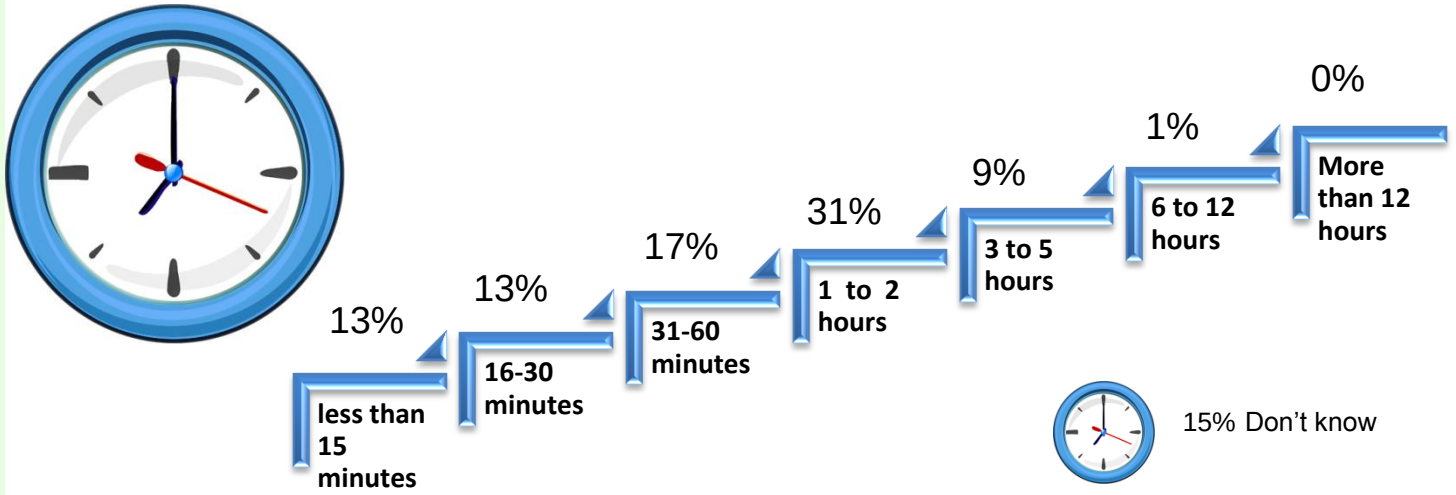
Whether an outage is planned or unplanned, the reality is that it is going to cause disruption and inconvenience under best case scenario and under worst case scenarios there could be safety and financial consequences.

However, one thing for certain, no matter what the scenario happens to be, customers are expecting their utility to keep them continually updated on the status of outages. Most importantly, and top priority, is to know the estimated restoration time. They also want to know the cause of the outage because they do not want to be a frequent outage customer.



Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility

When an unplanned outage occurs, how long, on average, is the outage?



Base: 90% of total respondents from the local utility

How a utility chooses to handle, manage and communicate with customers during an outage situation does affect customers' satisfaction with their utility. Customers want timely, accurate and relevant information about an outage and customers expect a utility to use various communication channels to ensure their message is getting out there. This means not only obtaining information via the call centre and IVR but customers have increasing expectations for proactive two-way communication through social media, utility websites and modern communication devices (e.g. tablets, smartphones) and apps.

Inability to provide the above information accurately and in a timely manner will result in customer complaints, increased call volumes to your call centres, create unwanted public and media attention, and negatively impact customer satisfaction.

Utility's effectiveness during an unplanned outage		
Top 2 Boxes: 'very + somewhat effective'	**Ontario LDCs**	**St. Thomas Energy**
Responding to questions	61%	59%
Providing a reason for the outage	61%	61%
Providing an estimate when power will be restored	60%	54%
Responding to the power outage	81%	85%
Restoring power quickly	85%	91%
Communicating updates periodically	64%	62%
Posting information to the website	35%	31%
Using media channels for providing updates	53%	54%

Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility

On December 20, 2013, a severe ice storm struck the central and eastern portions of Canada and the northeastern United States. The storm's devastation caused major damage to utility distribution lines, towers, transformers, poles and entire substations and resulted in large scale outages and blackouts

for long periods of time. The data suggests that customers are both tolerant and understanding when major outages take place.

Did you have a power outage during the ice storm in December 2013?

50%

42%

Base: Base: total respondents from the full 2014 database affected by the ice storm

Percentage of Respondents who contacted their utility about the ice storm power outage	
	Ontario LDCs
Yes	18%
No	81%

Base: total respondents from the full 2014 database affected by the ice storm

Ontario LDCs Length of outage (during Ice Storm 2013)							
Less than 2 hours	**2 – 4 hours**	**4+ hours or ½ day**	**12-18 hours or ½ - ¾ day**	**19-24 hours or 1 day**	**1 to 1.5 days**	**1.6 to 2 days**	**More than 2 days**
21%	19%	20%	8%	5%	5%	4%	7%

Base: total respondents from the full 2014 database affected by the ice storm

Using social media and multi-channel communication modes still appear to be the exception when it comes to customers contacting their utilities. Results from this year's survey indicate that the telephone is still the most used and the preferred method of contact. Overall, 87% of all Ontario respondents affected by the ice storm who informed their local utility they were experiencing a power outage did so via telephone.

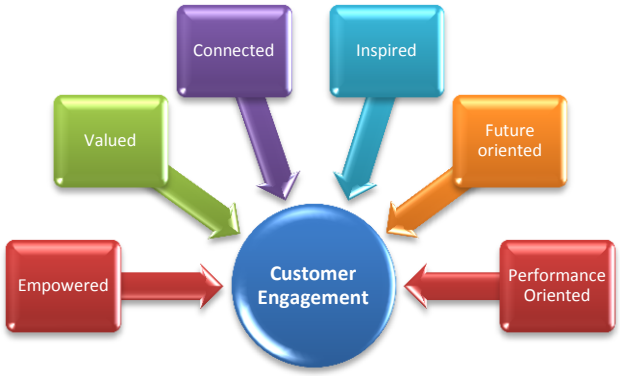
In your view, what is an acceptable period of time to go without electricity in situations like the ice storm?

Base: total respondents from the full 2014 database affected by the ice storm

•None (the power shouldn't be going out)	7%
•Less than 2 hours	11%
•2 - 4 hours	17%
•4+ hours or 1/2 day	16%
•12 - 18 hours or 1/2 day to 3/4 day	7%
•19 - 24 hours or 1 day	10%
•1 to 1.5 days	5%
•1 .6 to 2 days	5%
•More than 2 days	4%

Customer Centric Engagement Index (CCEI)

The EB-2010-0379 ROB-SA report includes the following: "better engage with their customers to better understand and respond to their needs…" Conducting surveys (like this one), holding town hall meetings, focus groups, etc. are examples of engaging your customers. We call this an activity based definition of engagement. Asking 100 people to complete a survey is an engagement activity. This survey also provides you with an emotional look at engagement.



The CCEI index is a gauge of the amount of goodwill that has been generated. High numbers in CCEI suggests that there is a high level of goodwill amongst your customers – this is important for two reasons. First when something goes awry for the utility, goodwill helps the utility to be resilient. Second, goodwill encourages active participation in requests to participate in engagement activities or program offerings from the utility.

Utility Customer Centric Engagement Index (CCEI)			
	St. Thomas Energy	**National**	**Ontario**
CCEI	83%	79%	76%

Base: total respondents

In a world of chaos and confusion what will a customer do? Find someone to help. In the electricity industry, the vast majority of customers turn to, and rely on, their local utility. Knowing that customers will turn to their electric utility requires utilities to really know their customers. Not easy when customer expectations continue to shift.

The shift is on. 15 years ago a utility could think about their customers in terms of usage, now they have to think about them in terms of personas (i.e., customer type). Currently, customer segmentation, for most utilities, consists of a number of “personas”. While this may be adequate today, in order to achieve high customer participation in programs and to optimize business processes there will be a need for granular targeting of communications.

Most utilities are quite comfortable “pushing” out communications in a one-way world. However, the shift is on because the new channels are 2-way; even without the new channels customers are expecting 2-way dialogue. The impact on a utility’s marketing-communications is significant.

Value is what a customer perceives they get in exchange for what they give up. The real challenge is educating customers on the value they receive. In the absence of a value proposition the primary thing people will talk about is cost.

We recommend having meaningful two-way dialogue with employees (and others) to leverage the results from your 2014 customer satisfaction survey derived from speaking with 407 St. Thomas Energy customers [March 21 - March 27, 2014]. The electric utility business has demanding customers with high expectations.

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June, 2014

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Satisfaction (pre & post)

Customer Satisfaction is an intangible as it is the sum total of real experience, or perceptions of what an experience may be like when a customer is dealing with their LDC. Satisfaction is not a program, it is an outcome. Satisfaction, as a measurement, is a part of the Ontario Energy Board's Performance Measurement for Electricity Distributors: A Scorecard Approach (Ontario Energy Board, EB-2010-0379, March 5, 2014).

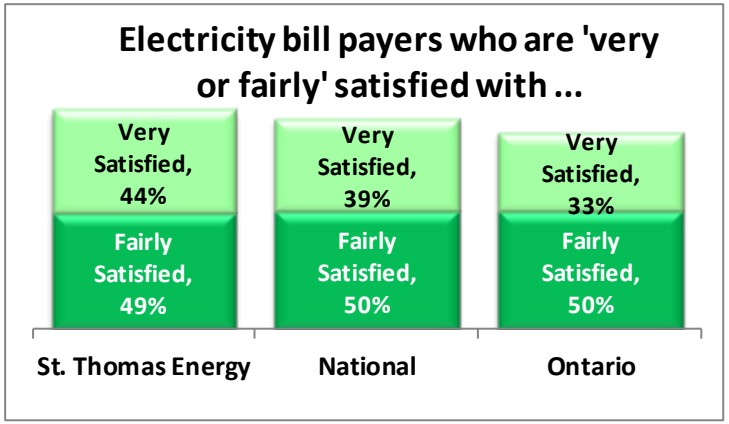
Satisfaction is an effectiveness rating of whether the objectives of process(s), service(s) or activities have been achieved. This makes Satisfaction, as a Scorecard measure, a rating that prompts discussion, planning, investing, and being connected to the Customer in order to effect an improved rating.

"Telephone calls answered on time" is an efficiency rating or a rating to assist in determining whether the right amount of resources have been used to deliver a process, service or activity. ***Efficiency*** *is about achieving objectives with the minimum amount of people, time, money and other resources.* For utilities reducing costs of delivering, supporting or maintaining a service is often the main driver for improving operational efficiency. While being obsessed with costs is important, the customer is also obsessed with quality. Finding the right balance between efficiency and effectiveness measures is difficult.

Effectiveness *ratings are measures that keep the organization and its people more future focused than efficiency ratings.* This is not to say that efficiency ratings are not important, they are. The customer does care that their problem was solved and that the telephone was answered in less than 30 seconds. After 16 years of continued research with electric utility customers, expectations of their electric utility go far beyond "keeping the lights on", "billing me properly", and "restoring power quickly". However, acting quickly, yet not dealing with the customer concern, ultimately translates into a poor experience.

- **Satisfaction** happens when utility core services meet or exceed customer's needs, wants, or expectations.

- **Loyalty** occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.



Base: total respondents

Satisfaction alone does not make a customer loyal; a willingness to commit and advocate for a company along with satisfaction identifies the three basic customer attitudes which underpin loyalty profiles. While satisfaction is an important component of loyalty, the loyalty definition needs to incorporate more attitudinal and emotive components.

Electricity bill payers who are 'very or fairly' satisfied with…					
	2014	2013	2012	2011	2010
St. Thomas Energy	93%	-	91%	-	90%
National	89%	90%	88%	89%	86%
Ontario	83%	90%	86%	84%	80%

Base: total respondents / (-) not a participant of the survey year

As noted in previous reports:

Our research has found that in the utility industry environment, especially in Ontario, where most utilities are municipally owned, satisfaction is a strong driver of customer trust which in turn can impact employee engagement. The satisfaction of public customers/citizens both improves employee engagement and is improved by it.

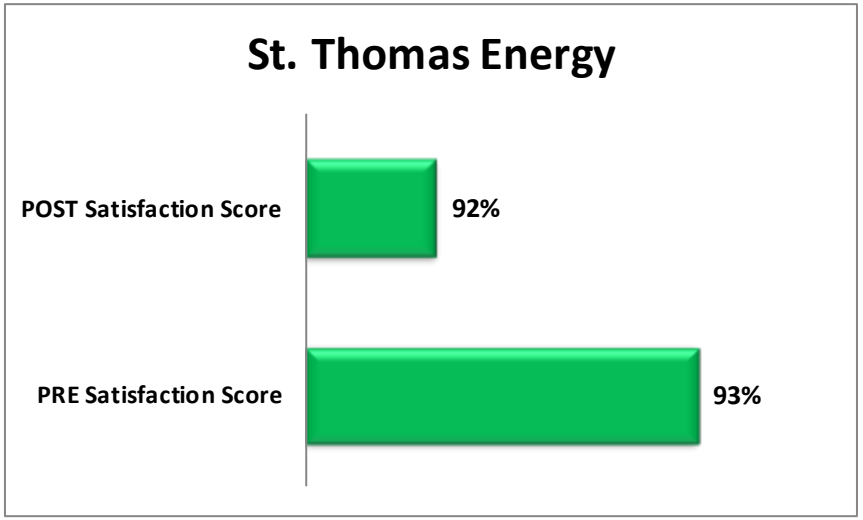
The synergy which exists between customer satisfaction and employee engagement has enormous implications for the performance of those who make up a utility's workforce. Many service personnel

are motivated by their desire to help others; succeeding at this task (and having clear evidence that they have satisfied their “customers”) can help keep them motivated and engaged.

Satisfied employees, who are working in an organizational culture which promotes service excellence is critical, too. Many companies make the mistake of measuring only customer satisfaction. Measuring organizational culture is the key because employees play an integral role in the customer relationship. Employees do more than deliver customer service – they personalize the relationship between customer and the utility.

Creating loyal customers and loyal employees go hand in hand and it is the leaders of organizations that must create this alignment. Implementing service excellence works best when its principles are well understood and widespread collaboration is encouraged by management’s visible actions. In our experience, this is best achieved by driving change from the ‘top down’ at the same time as inspiring and fully engaging employees from the ‘bottom up’.

In the Simul/UtilityPULSE Customer Satisfaction survey, the overall satisfaction question is asked both at the beginning (PRE) and the end (POST).



Base: total respondents

Asking the general satisfaction question at the start of the survey avoids bias and we obtain a spontaneous rating. This allows measurement of customers' overall impressions of the utility prior to prompting them to think of specific aspects of the relationship. After we have asked about specific aspects of the customer experience, we gain a more *considered* (or conditioned) response.

SATISFACTION SCORES – Electricity customers' satisfaction			
Top 2 Boxes: 'very + fairly satisfied'	**St. Thomas Energy**	**National**	**Ontario**
PRE: Initial Satisfaction Scores	93%	89%	83%
POST: End of Interview	92%	87%	80%

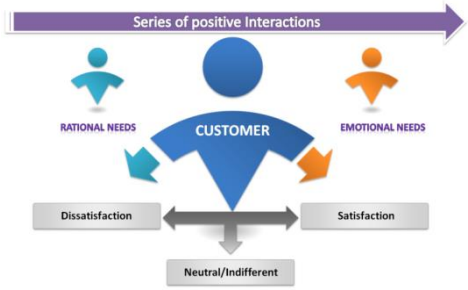
Base: total respondents

SATISFACTION SCORES – Electricity customers' satisfaction					
Top 2 Boxes: 'very + fairly satisfied'	**2014**	**2013**	**2012**	**2011**	**2010**
PRE: Initial Satisfaction Scores	93%	-	91%	-	90%
POST: End of Interview	92%	-	95%	-	96%

Base: total respondents / (-) not a participant of the survey year

Customers, as human beings, are both rational and emotional. The rational side of the customer holds the LDC accountable for doing its job (as contracted), thereby fulfilling the customer's basic needs. The emotional side of the customer is about fulfilling expectations. Meeting rational needs – at best –

gets the customer to a neutral state and at worst creates dissatisfaction. Emotional needs, when met, (assuming base level rational needs are met), can move a customer from neutral to higher levels of satisfaction.



Attributes strongly linked to a hydro utility's image			
	St. Thomas Energy	National	Ontario
RATIONAL NEEDS			
Provides consistent, reliable electricity	90%	89%	86%
Quickly handles outages	90%	86%	83%
Accurate billing	87%	83%	77%
Provides good value for money	72%	67%	63%
Is 'easy to do business' with	87%	79%	75%
Operates a cost effective hydro-electric system	77%	69%	62%
EMOTIONAL NEEDS			
Deals professionally with customers' problems	85%	82%	78%
Provides information to help customers reduce electricity costs	80%	77%	75%
Pro-active in communicating changes	80%	74%	73%
Quickly deals with issues that affect customers	85%	79%	74%
Adapts well to changes in customer expectations	79%	71%	68%
Overall the utility provides excellent quality services	88%	83%	80%

Base: total respondents with an opinion

Customer Service

Customer service is a series of activities grouped in processes designed to provide customers and other stakeholders with information or assistance which address customers' needs. Those needs are far more diverse than they have ever been thereby, compelling customer service to change in response to increasing customer demands. Given the increase in fragmentation of customer type and customer problems, the need for building a customer-centric culture in line with customers' needs, preferences and expectations is important when customer satisfaction is important to the organization.

Customers don't want to be passed from CSR to CSR, unnecessary bureaucracy, to keep repeating why they are calling, to duplicate information already given, or to have to understand the inner workings of the utility organization. Customers are expecting an intelligent and personalized experience.

Respondents, who contacted their utility via the telephone or in-person, were asked about six aspects of their most recent experience with a representative from St. Thomas Energy.

- Information – quality of information provided
- Staff attitude – level of courtesy
- Professionalism – the knowledge of staff
- Delivery – helpfulness of staff
- Timeliness – the length of time it took to get what they needed
- Accessibility – how easy it was to contact someone

Base: total respondents who contacted the utility

Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	**St. Thomas Energy**	**National**	**Ontario**
The time it took to contact someone	71%	73%	67%
The time it took someone to deal with your problem	60%	70%	57%
The helpfulness of the staff who dealt with you	71%	74%	65%
The knowledge of the staff who dealt with you	68%	69%	61%
The level of courtesy of the staff who dealt with you	81%	82%	75%
The quality of information provided by the staff who dealt with you	70%	69%	59%

Base: total respondents who contacted the utility

Respondents, who contacted their utility via an electronic means, e.g., email, website, social media, were asked about four aspects of their most recent experience with a representative.

Satisfaction with Customer Service via electronic means	
Top 2 Boxes: 'very + fairly satisfied'	**Overall**
The timeliness of response	68%
The quality of information provided	65%
The helpfulness of the information	63%
The level of professionalism	72%

Base: data from the full 2014 database

The customer service representative's role is essential to effectively handling customer issues/incidents/problems/requests. Having a skilled, trained representative is vital for a positive customer experience when a customer decides to make contact. Respondents who did have contact with a utility representative within the last 12 months were asked about their overall satisfaction with *that* experience.

Overall satisfaction with most recent experience – Telephone & In-person			
	St. Thomas Energy	**National**	**Ontario**
Top 2 Boxes: 'very + fairly satisfied'	70%	75%	62%

Base: total respondents who contacted the utility

Overall satisfaction with most recent experience – Electronic means	
	Overall
Top 2 Boxes: 'very + fairly satisfied'	68%

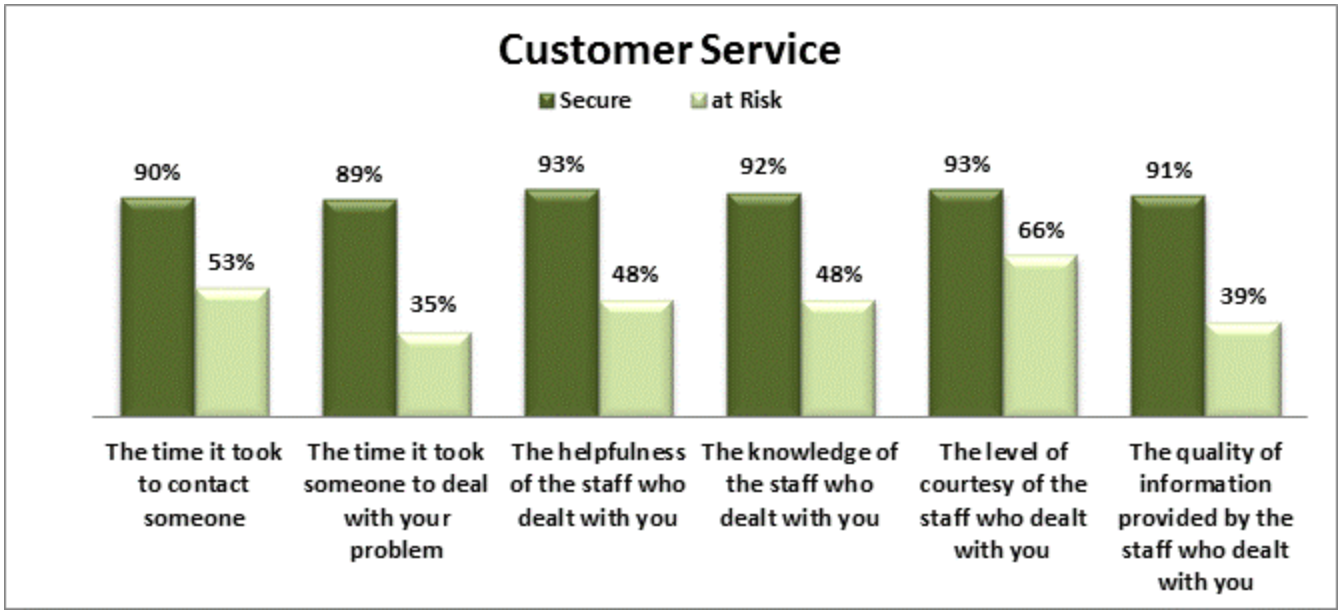
Base: data from the full 2014 database

Customers value speed and responsiveness especially as it relates to solving problems. The more flexibility you're able to offer and the more empowerment given to employees, the better able employees will be to meet those "speed" and "responsiveness" requirements. Customers benefit, too, when employees are able to resolve problem issues "on the spot" instead of having to "talk to my manager."

SATISFACTION SCORES – Electricity customers' satisfaction			
	Overall	**Problems Solved**	**Problems Not Solved**
Top 2 Boxes: 'very + fairly satisfied'	90%	90%	60%
Bottom 2 Boxes: 'fairly + very dissatisfied'	7%	7%	35%

Base: data from the full 2014 database

Empowerment is the backbone of the service recovery principle. In the face of error or problems, acting quickly and decisively, being empowered and turning a dissatisfied customer into a satisfied one tends to have a positive impact.



Base: data from the full 2014 database

Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	**Overall**	**Recent Experience Satisfied**	**Recent Experience Dissatisfied**
The time it took to contact someone	75%	86%	43%
The time it took someone to deal with your problem	68%	85%	19%
The helpfulness of the staff who dealt with you	76%	90%	33%
The knowledge of the staff who dealt with you	73%	88%	32%
The level of courtesy of the staff who dealt with you	82%	92%	56%
The quality of information provided by the staff who dealt with you	71%	88%	21%

Base: data from the full 2014 database

The service experience has a profound impact on customer service scores. The data shows a direct correlation between a satisfied customer experience and the ratings given across all six measures of person-to-person customer service. While there are a lot of things utilities cannot control, one thing they can control is the quality of service they provide.

Important attributes which shape perceptions about service quality			
	St. Thomas Energy	National	Ontario
Deals professionally with customers' problems	85%	82%	78%
Is pro-active in communicating changes and issues which may affect customers	80%	74%	73%
Quickly deals with issues that affect customers	85%	79%	74%
Customer-focused and treats customers as if they're valued	81%	74%	72%
Is a company that is 'easy to do business with'	87%	79%	75%
Cost of electricity is reasonable when compared to other utilities	62%	60%	55%
Provides good value for money	72%	67%	63%
Delivers on its service commitments to customers	88%	84%	82%
Trusted and trustworthy company	87%	82%	77%
Respected company in the community	88%	81%	78%
Provides information and tools to help manage electricity consumption	81%	77%	75%
Adapts well to changes in customer expectations	79%	71%	68%

Base: total respondents with an opinion

ICE STORM 2013

On December 20, 2013, a severe ice storm struck the central and eastern portions of Canada and the northeastern United States. The storm's devastation caused major damage to utility distribution lines, towers, transformers, poles and entire substations and resulted in large scale outages and blackouts for long periods of time. The data suggests that customers are both tolerant and understanding when major outages take place.

Did you have a power outage during the ice storm in December 2013?

50%

42%

Base: Base: total respondents from the full 2014 database affected by the ice storm

Days after the storm passed through, thousands were left without power as crews worked around the clock in the affected areas, but difficult weather conditions -- including more snow and continued freezing temperatures -- was making power restoration a challenge.

Ontario LDCs
Length of outage (during Ice Storm 2013)

Less than 2 hours	2 – 4 hours	4+ hours or ½ day	12-18 hours or ½ - ¾ day	19-24 hours or 1 day	1 to 1.5 days	1.6 to 2 days	More than 2 days
21%	19%	20%	8%	5%	5%	4%	7%

Base: total respondents from the full 2014 database affected by the ice storm

A common communication channel used by customers is their website. Most utilities use their website to publish outage information to customers; timely information posted to your website could reduce the impact on other utility resources.

Percentage of Respondents who contacted their utility about the ice storm power outage	
	Ontario LDCs
Yes	18%
No	81%

Base: total respondents from the full 2014 database affected by the ice storm

Some utilities websites provide customers with the start time of the outage, the number of customers impacted by the outage, and an outage map. Storm Centre landing pages on the utilities' websites have become a best practice where outage information is consolidated in one easy to access location. Social media will become increasingly important depending upon the severity of the outage. The reality is social media adoption rates are growing, which means, in time, these channels will become an additional means for providing information.




Using social media and multi-channel communication modes still appear to be the exception when it comes to customers contacting their utilities. Results from this year's survey indicate that the telephone is still the most used and the preferred method of contact. Overall, 87% of all Ontario respondents affected by the ice storm who informed their local utility they were experiencing a power outage did so via telephone.

In your view, what is an acceptable period of time to go without electricity in situations like the ice storm?

Base: total respondents from the full 2014 database affected by the ice storm

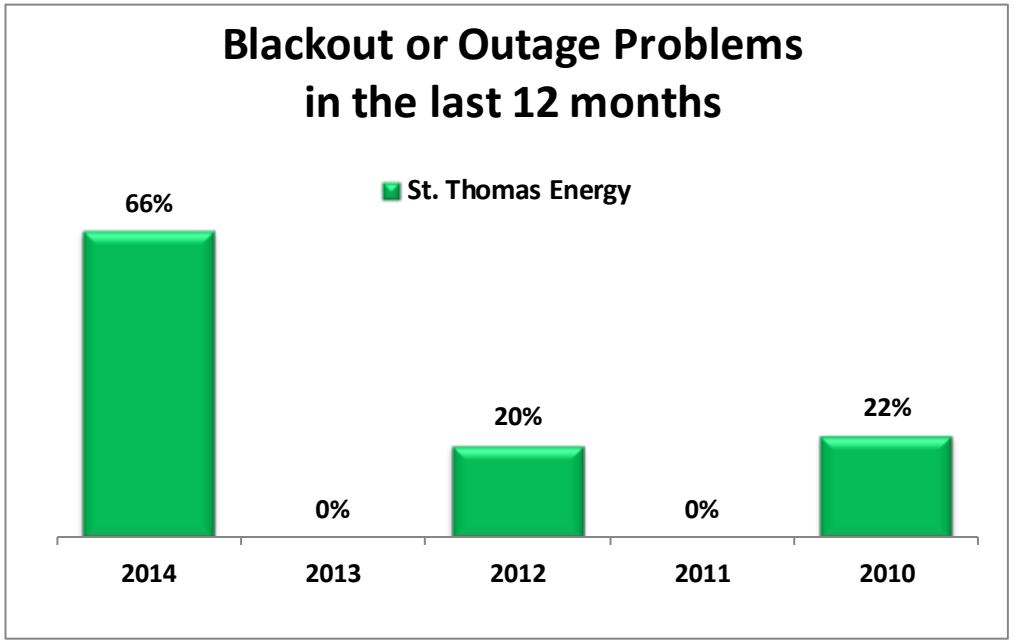
•None (the power shouldn't be going out)	7%
•Less than 2 hours	11%
•2 - 4 hours	17%
•4+ hours or 1/2 day	16%
•12 - 18 hours or 1/2 day to 3/4 day	7%
•19 - 24 hours or 1 day	10%
•1 to 1.5 days	5%
•1 .6 to 2 days	5%
•More than 2 days	4%

During any outage (planned or unplanned) restoring power quickly and safely is a top priority. Consistent and effective communication will drive the customer experience during an outage. If the customer starts to get mixed messages i.e. website versus radio and television news versus public service announcements are not in sync, then a customer could potentially perceive the situation as being not in order and therefore could also question safe and quick restoration. The more disarray the customer senses from mixed communication messages, the more intolerant they will become of the duration of the outage. Consistent updates across all channels will at least provide a sense of security – that the utility is on top of it and working to get things back up and running.

Bill payers' recent problems and problem resolution

Outages and billing problems, we call them the "Killer B's", the two issues that are most likely to cause grief to utility customers.

At one time, if the power went off for a few minutes, it was considered annoying and inconvenient. However, with so many devices hooked into the electricity system, even a small power outage can be truly aggravating. 90% of respondents with an opinion agree (top 2 boxes) St. Thomas Energy "quickly handles outages and restores power".



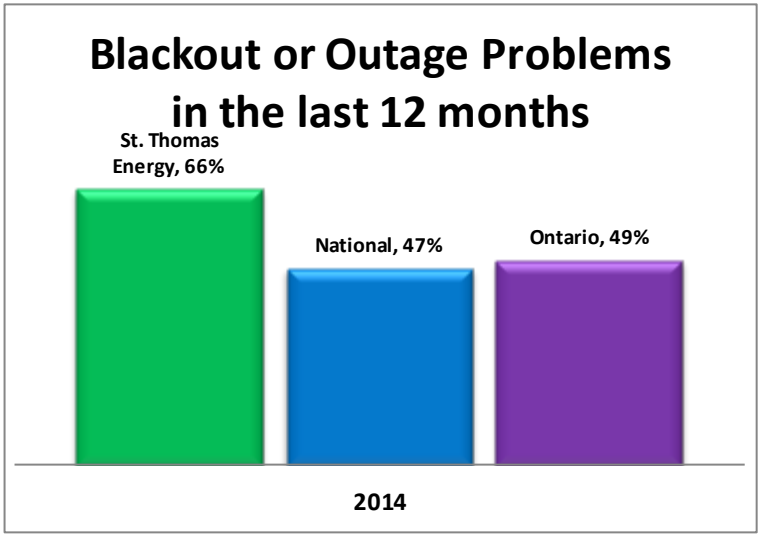
Base: total respondents / (-) not a participant of the survey year

Ideally, no one wants to go without electricity, however it is an inevitability that at some point the power will go out, especially during severe weather related events. During these instances, most customers will be somewhat flexible in their expectation for quick restoration. However, as an outage prolongs and impacts daily routines and when there is an uncertainty as to the expected restoration time, customers begin to become less understanding and more demanding.

Despite a utility's best efforts, there will be times when the power goes off.

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	St. Thomas Energy	National	Ontario
2014	66%	47%	49%
2013	-	41%	35%
2012	20%	44%	46%
2011	-	43%	43%
2010	22%	45%	41%

Base: total respondents / (-) not a participant of the survey year

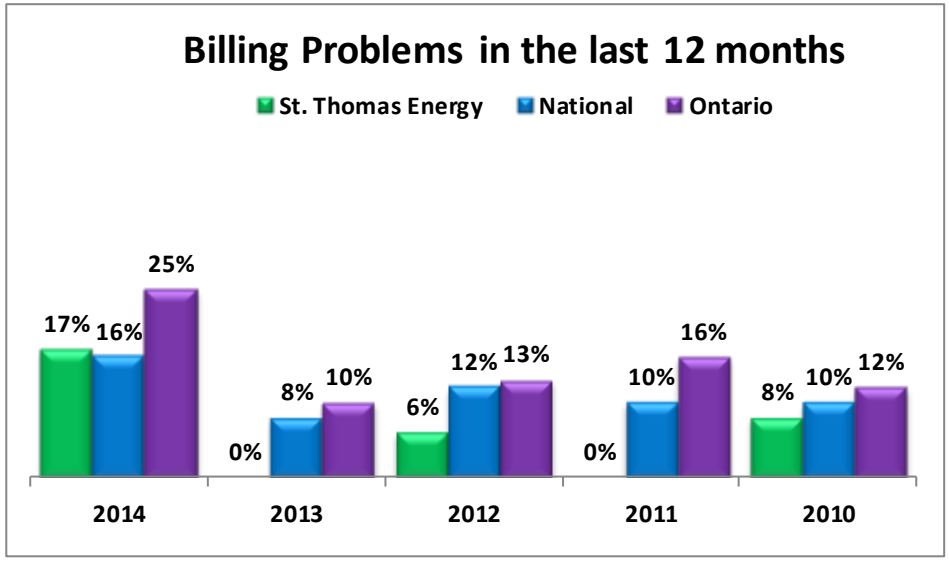


Base: total respondents

For most customers, their bill is the only thing they see (or pay attention to) from their utility provider. It not only tells them how much to pay, it documents their service usage, breaks down the various charges and provides

contact information for customer service. As the principal form of communication between a utility and its customers, utilities cannot underestimate the importance of billing.

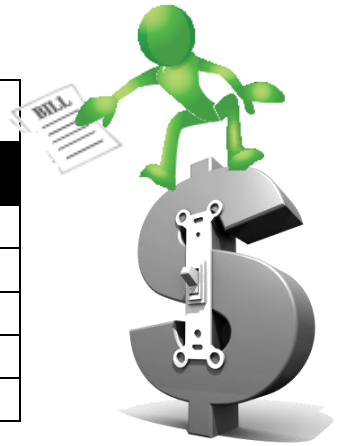
When it comes to billing, customers expect zero-defect delivery. Customers expect timely and accurate billings which they understand. Incorrect information, miscalculated balances, bills that are too difficult to understand result in time logged by your CSR's as well as dissatisfied customers. Improving billing activities has an immediate impact on the revenue streams of a utility in terms of costs associated with managing call center applications.



Base: total respondents / (-) not a participant of the survey year

Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	St. Thomas Energy	National	Ontario
2014	17%	16%	25%
2013	-	8%	10%
2012	6%	12%	13%
2011	-	10%	16%
2010	8%	10%	12%

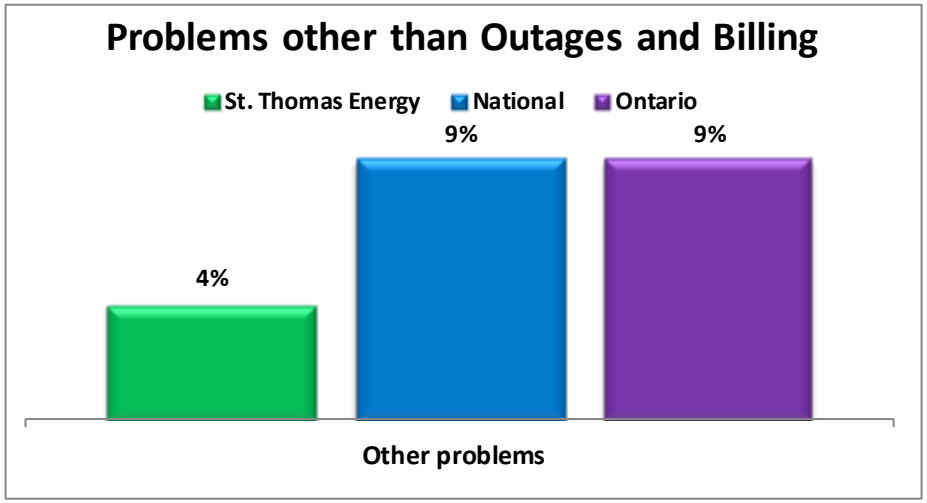
Base: total respondents / (-) not a participant of the survey year



Types of Billing Problems	
	St. Thomas Energy
The amount owed was too high	62%
Complaint about rates or charges	20%
The payment made was recorded incorrectly	7%
No bill/skipped bill	4%
The bill arrived late	1%

Base: total respondents with billing problems

As it relates to problems, the Killer B's – Bills and Blackouts still occupy top ranking – while moving/setting up a new account, maintenance repairs, high bills, information on pricing, SMART meters and energy conservation are issues which also contribute to inbound call-centre calls.



Base: total respondents

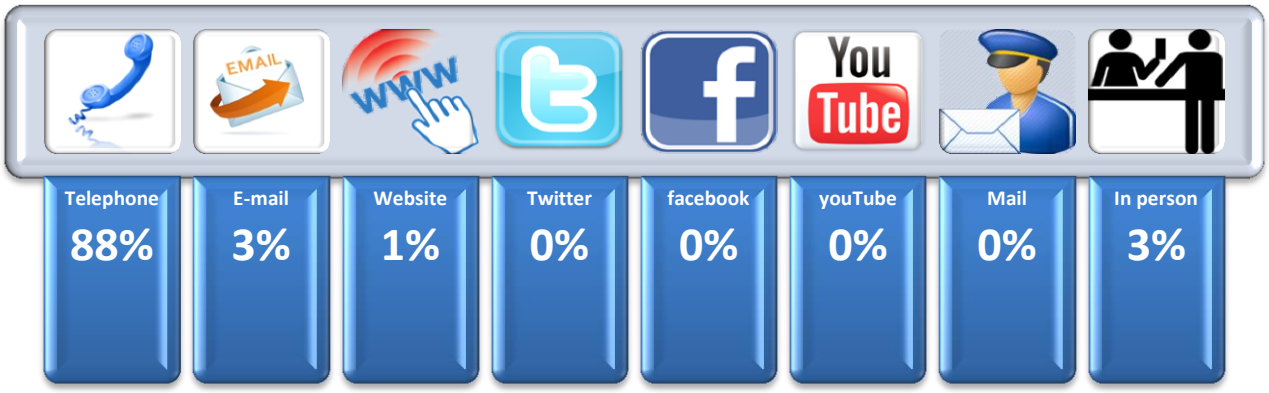
Percentage of Respondents with problems other than billing or power outages in the last 12 months			
	St. Thomas Energy	**National**	**Ontario**
Yes	4%	9%	9%
No	96%	90%	90%

Base: total respondents

The reality is, there will be outages, there will be billing issues and there will be other problems. The key is how the customer is looked after when the problem(s) arises. By understanding the complaint process and customer complaint behaviour, a utility can learn how to reduce the impact of an unfavourable service experience or complaint.

What method did you use to contact your electric utility when you had a problem?

Base: data from the full 2014 database



Customers care more about getting their problem solved than they do about following or using the utilities processes. Solving the customer's problem with the first interaction (often called first call resolution) is a driver of perception. Customers want to deal with someone who understands what they are calling about, they want to have access to the correct person to talk to and they expect this person to have the ability to inform and or make decisions to work through the customer's concern. The reality is that customers know we do not live in a perfect world and problems will arise. What customers want however, is to ultimately have their problem solved. When the problem is solved the utility benefits.

Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months			
	St. Thomas Energy	**National**	**Ontario**
Yes	77%	69%	61%
No	18%	26%	36%

Base: total respondents

Attributes describing operational effectiveness			
	Overall Score	Problem Solved	Problem Not Solved
Provides consistent, reliable electricity	90%	88%	82%
Delivers on its service commitments to customers	86%	86%	71%
Accurate billing	85%	83%	66%
Quickly handles outages and restores power	87%	84%	80%
Makes electricity safety a top priority	88%	88%	86%
Uses responsible environmental practices when completing work	85%	85%	75%
Is efficient at managing the hydro-electric system	82%	80%	65%
Is a company that is 'easy to do business with'	85%	83%	64%
Operates a cost effective hydro-electric system	73%	72%	54%
Overall the utility provides excellent quality services	85%	84%	70%

Base: data from the full 2014 database from those respondents with an opinion

Technology is considered by many in the electricity utility industry to be both a blessing and a curse. On one hand, the LDC (and other service providers) can benefit from embracing technology to reduce costs and hopefully improve service thereby, putting control into the hands of the customer. However, technology can enable the customer's dissatisfaction to go viral.

Loyalty levels of customers (i.e., Secure, Favorable, Indifferent, At Risk) do have a different “recall” as it relates to problems encountered.

Bill payers recalling a power failure or outage				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Yes	31%	35%	46%	48%
No	68%	64%	52%	51%

Base: data from the full 2014 database

Bill payers recalling a billing problem				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Yes	4%	6%	15%	46%
No	95%	93%	83%	51%

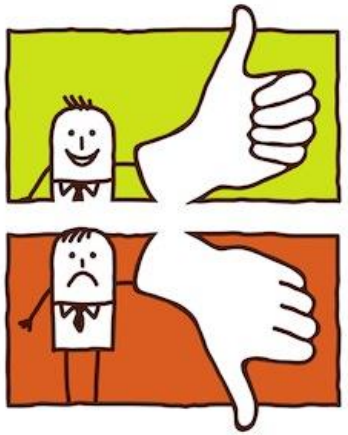
Base: data from the full 2014 database

Bill payers who said their problem was solved				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Yes	92%	79%	73%	35%
No	7%	17%	22%	59%

Base: data from the full 2014 database

Customer Experience Performance rating (CEPr)

Every touch point with customers on the phone, website or in-person influences what customers think and feel about the organization. The key is handling every individual element of an interaction with a customer so that he/she feels good at the end of the whole interaction and the utility achieves its business objectives.



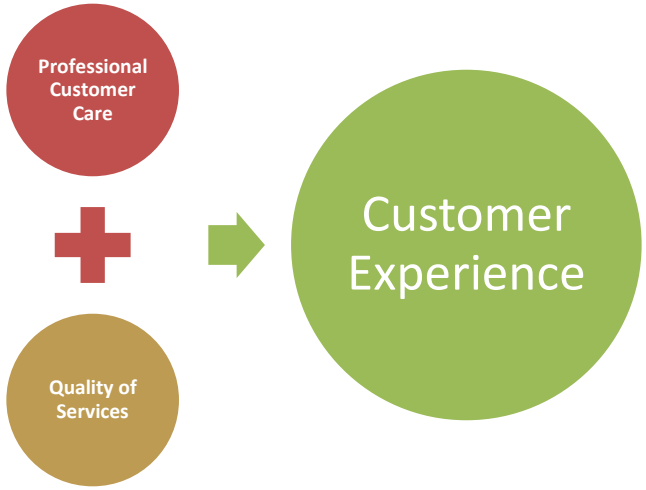
Great experiences occur when all functions of the organization align with one another to achieve the outcomes your customers seek. A good customer experience starts with understanding what your customers care about most and understanding which promises are most important to your customers.

At the heart of the CEPr are 4 central questions:

- Are interactions with the organization professional and productive?
- Is the organization 'easy to deal with'?
- Does the organization effectively meet your needs?
- Does the organization provide high quality services?

Some of the factors which contribute to the overall Customer experience:

- Delivering accessible and consistent customer service
- Understanding customer expectations
- Maintaining timely resolution timelines
- Providing effective communication(s) according to customer needs
- Demonstrating responsiveness
- Speeding up problem resolution
- Conducting problem analysis to prevent recurring issues
- Easy to do business with
- Seeking customer feedback and following through on recommendations



Customer Experience Performance rating (CEPr)			
	St. Thomas Energy	**National**	**Ontario**
CEPr: all respondents	86%	82%	79%

Base: total respondents

The CEPr (all respondents) for St. Thomas Energy is 86%. This rating would suggest that a very large majority of customers have a belief that they will have a good to excellent experience dealing with a St. Thomas Energy professional. However, the balance of respondents is not anticipating a good to excellent experience, and as such could be more challenging to serve.

The CEPr score is what we refer to as an effectiveness rating and is affected by many dimensions of service. While an excellent transaction today creates a positive experience today, the perception created is that future transactions will be excellent too, which is how you want your customers to feel. Of course a negative transaction creates the perception that future transactions will be negative. The key then is to emphasize problem resolution with a "one call" mindset.

The impact of Satisfied or Dissatisfied experiences on some operational attributes			
	St. Thomas Energy	Recent Experience Satisfied	Recent Experience Dissatisfied
Provides consistent, reliable electricity	90%	88%	77%
Delivers on its service commitments to customers	88%	86%	72%
Accurate billing	87%	83%	72%
Quickly handles outages and restores power	90%	86%	80%
Makes electricity safety a top priority	90%	87%	75%
Uses responsible environmental practices when completing work	87%	87%	75%
Is efficient at managing the hydro-electric system	85%	84%	63%
Overall the utility provides excellent quality services	88%	87%	69%

Base: respondents who have contacted the utility

Customer Centric Engagement Index (CCEI)

The EB-2010-0379 ROB-SA report includes the following: “better engage with their customers to better understand and respond to their needs…” Conducting surveys (like this one), holding town hall meetings, focus groups, etc. are examples of engaging your customers. We call this an activity based definition of engagement. Asking 100 people to complete a survey is an engagement activity.

This survey also provides you with an emotional look at engagement. The CCEI index is a gauge of the amount of goodwill that has been generated. High numbers in CCEI suggests that there is a high level of goodwill amongst your customers – this is important for two reasons. First when something goes awry for the utility, goodwill helps the utility to be resilient. Second, goodwill encourages active participation in requests to participate in engagement activities or program offerings from the utility.

The UtilityPULSE Customer Engagement Index (CCEI) is a metric designed to get a more in-depth look at the attachment a customer has with your LDC and its brand.

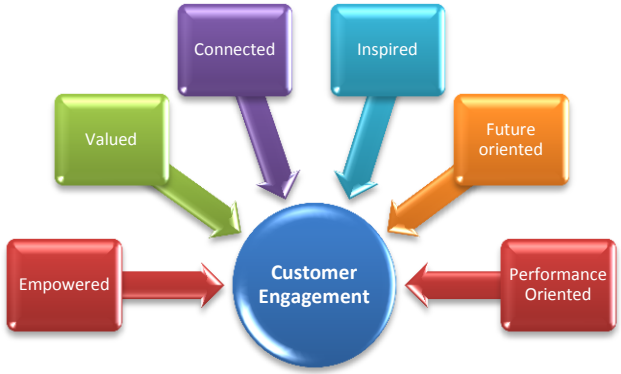
Your Annual UtilityPULSE survey tracks a customer's willingness to continue to do business, and willingness to recommend their local utility. Through a combination of calculations the end result is a Customer Loyalty index. That is, the number of customers that are: At risk, Indifferent, Favourable, Secure. The goal of every enterprise ought to be the creation of more Secure and Favourable customers. We believe that high levels of customer engagement correlate strongly to high levels of Secure and Favourable customer numbers.

We believe that a customer-centric definition of engagement is valuable to individuals, teams and executives in an LDC for determining what needs to be done to ensure that the organization is successful today and successful again tomorrow – in a changed world.

Engagement is how customers think, feel and act towards the organization. As such, ensuring that customers respond in a positive way requires that they are rationally satisfied with the services provided AND emotionally connected to your LDC and its brand. The more frequently and consistently an organization's products and services can connect with a customer, especially on an emotional level, the stronger and deeper the customer becomes engaged with the organization.

What does customer centric engagement look like?

UtilityPULSE has identified the six key dimensions of what defines customer engagement. They are: empowered, valued, connected, inspired, future oriented and performance oriented.



They include:

- Does the utility allow their customers to feel ***empowered*** about their interactions with the company and decisions affecting their electricity usage
- Does the utility give customers the sense of being ***valued***
- Does the utility act in ways which allows customers to stay ***connected***
- Do customers get ***inspired*** by the way the utility conducts business
- Is the utility forward thinking enabling customers to be ***future oriented***
- Does the utility conduct operations in such a way that customers believe that they are truly ***performance oriented*** in achieving goals and results

Utility Customer Centric Engagement Index (CCEI)			
	St. Thomas Energy	**National**	**Ontario**
CCEI	83%	79%	76%

Base: total respondents

Customer centric engagement is a measure of “goodwill” towards the utility. Customers who are less engaged, as measured by the CCEI are more concerned about costs than customers who are highly engaged. Customers who are highly engaged are more inclined to look past costs and money issues and use thoughtful analysis to make values-based decisions.

UtilityPULSE Report Card®

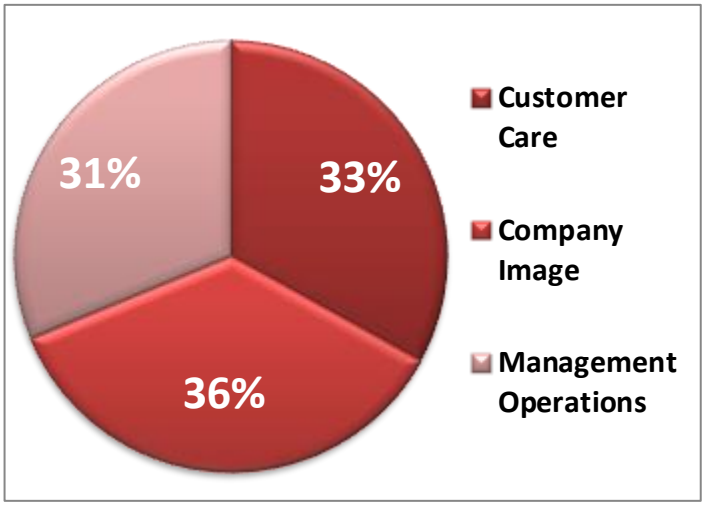
Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over sixteen years. The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot of performance – on the things that customers deem to be important. Research has identified over 20 attributes, sorted into six topic categories (we call these drivers), that customers have used to describe their utility when they have been satisfied or very satisfied with their utility. These attributes form the nucleus, or base, from which "scores" are assigned. Customer satisfaction and loyalty also play a major role in the calculations.

There are two main dimensions of the UtilityPULSE Report Card® the first is Customer psyche and the other is Customer perceptions about how the utility executes its business.

The Psyche of Customers

Every utility has virtually the same responsibility – provide safe and reliable electricity – yet not all customers are the same. The following chart shows the weight or significance of each category to the customer when forming their overall impression of the utility. Three major themes, each with two major categories make up the UtilityPULSE Report Card®. In effect the Report Card provides feedback about your customers' perception on the importance of each category and driver – as it relates to the benchmark.

UtilityPULSE Report Card® for St. Thomas Energy



Base: total respondents

The UtilityPULSE Report Card® also provides customer perceptions about how your utility executes or performs its responsibilities. This is different, very different, from what a customer might say about a major concern or worry that they have about electricity. As our survey has shown since its inception the primary suggestion for improvement is “reduce prices”, which is also a major concern which your customers have about municipal taxes, gas for the vehicle, and other utilities.

Readers of this report should note that the categories and drivers are interdependent. Which means that, for example, failure to provide high levels of power quality and reliability will have a negative impact on customer perceptions as it relates to customer service. Customer care, when it doesn’t meet customer expectations has a negative impact on Company Image, etc.

Defining the categories and major drivers:

Category: Customer Care

Drivers: Price and Value; Customer Service

Just because everyone likes good customer care, that in and by itself, is not a reason to provide it – though it may be important to do so. In highly competitive industries good customer service may be a differentiating factor. The case for electric utilities is simple, high levels of customer care result in less work (hence cost) of responding to customer inquiries and higher levels of acceptance of the utility's actions.

Price and Value:

Customers have to purchase electricity because life and lifestyle depend on it. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable.

Customer Service:

Customers do have needs and every now and again have to interface with their utility. How the utility handles various customers' requests and concerns is what this driver is all about. Promptly answering inquiries, providing sound information, keeping customers informed and doing so in a professional manner are the major components of this driver.

Category: Company Image

Drivers: Company Leadership; Corporate Stewardship

Utilities have an image even if they do not undertake any activities to try to build it. A company's image is both a simple and complex concept. It is simple because companies do create images that are easily described and recognized by their target customers. It is complex because it takes many discrete elements to create an image which includes, but is not limited to: advertising, marketing communications, publicity, service offering and pricing.

An electric utility trying to manage its image has one more challenge to deal with, and that is the electric industry itself. There are so many players that residential customers (in particular) don't know who does what or who is responsible for what. So when there are political or regulatory announcements, the local utility is often swept up into the collective reaction of the population.

Company Leadership

This driver is comprised of customer perceptions as it relates to industry leadership, keeping promises and being a respected company in the community.

Corporate Stewardship

Customers rely on electricity and want to know that their utility is both a trusted and credible organization that is well managed, is accountable, is socially responsible and has its financial house in order.

Category: Management Operations

Drivers: Operational Effectiveness; Power Quality and Reliability

Electrical power is the primary product which utilities provide their customers and, they have very high expectations that the power will be there when they need it. Customers have little tolerance for outages. The reality is, every utility has to get this part right…no excuses. It is the utility's core business. This category and its drivers are clearly the most important for fulfilling the rational needs of a utility's customers.

Operational Effectiveness

This driver measures customers' perceptions as they relate to ensuring that their utility runs smoothly. Attributes such as: accurate billing and meter reading, completing service work in a professional and timely manner and maintaining equipment in good repair are deemed as important to customers.

Power Quality and Reliability

Power outages are a fact of life – and, customers know it. They expect their utility to provide consistent, reliable electricity, handle outages and restore power quickly and make using electricity safely an important priority.

St. Thomas Energy's UtilityPULSE Report Card®

Performance

	CATEGORY	St. Thomas Energy	National	Ontario
1	**Customer Care**	**B+**	**B+**	**B**
	Price and Value	B	B	C+
	Customer Service	A	B+	B
2	**Company Image**	**A**	**B+**	**B+**
	Company Leadership	A	B+	B+
	Corporate Stewardship	A	A	B+
3	**Management Operations**	**A**	**A**	**A**
	Operational Effectiveness	A	A	B+
	Power Quality and Reliability	A+	A	A
	OVERALL	**A**	**B+**	**B+**

Base: total respondents

As the UtilityPULSE Report Card® shows, the total customer experience with an electric utility is defined as more than “keeping the lights on”. Customers deal with your utility every day for a variety of reasons, most likely because they need someone to help them solve a problem, answer a question or take their order for service. All your employees, from customer service representatives to linemen, leave a lasting impression on the customers they interact with. In effect there are many moments of truth. Moments of truth are every customer touch point that a utility has with their customers. Therefore, managing these moments of truth creates higher levels of Secure customers while reducing the number of At Risk customers that exist.

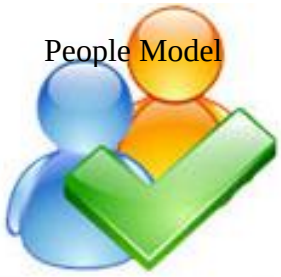
It's the small things done consistently that matter: Things like greeting every customer, whether on the phone or in person, in a friendly and helpful manner. Things like listening to the customer's needs, providing solutions to their problems and showing appreciation to the customer for their business.

Utilities now recognize customer communications as a valuable aspect of their business. The better a utility communicates with customers, in a manner that speaks to them, the more satisfied they are with their overall service. “Sending out information” is not the same as having a “conversation” with a customer. We believe that it is increasingly important to channel your communications to the various customer segments which exist.

Obviously employees – in every area – play a critical role in customer service success. Consequently how they feel about their job responsibilities and role in the company will be communicated indirectly through the level of service which they actually provide customers with whom they interact. The reality is engaged employees are the key to excellent customer care.

Our survey work with employees shows that there are many elements of an organizational culture to support the people model needed to achieve high levels of engagement.

Our research has identified 6 main drivers that promote and support people giving their best:



- **Empowered**
- **Valued**
- **Connected**
- **Inspired**
- **Growing**
- **Performance oriented**

There are 12 key processes from “attracting employees” to “saying goodbye to employees” that are part of your people model to get the best performance from every employee.

We believe that taking the time to understand the difference between employee satisfaction and organizational culture is worthwhile from a resourcing perspective and from a people development perspective. Every organization has a culture – we believe that it is a leadership imperative to install and maintain a culture that ensures that you attain the achievements and successes of your utility’s many investments in people, technology and equipment.

The Loyalty Factor

If a customer is satisfied, it doesn't necessarily mean he or she is loyal. Satisfaction is about fulfilling promises/expectations; loyalty goes way beyond that by creating exceptional experiences and long-lasting relationships. There is a reason why marketing campaigns strive to build brand loyalty, not brand satisfaction. Measuring customer loyalty in an industry where many customers don't have a choice of providers doesn't make sense. Or does it?

The answer depends on how you define "customer loyalty."

Private industry often equates customer loyalty with basic customer retention. If a customer continues to do business with a company, that customer is, by definition, considered to be loyal. If this definition were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Natural monopolies (like LDCs) are not really different in what they should measure except that trying to determine which customers are "loyal" or "at risk" is not about their future behaviour but more about their "attitudinal" loyalty (are they advocates?).

Perhaps a better or more relevant way for utilities to approach the definition of customer loyalty is to further expand how they think about loyalty. Consider the following definition: Customer loyalty is an emotional disposition on the part of the customer that affects the way(s) in which the customer (consistently) interacts, responds or reacts towards the company – its products & services and its brand.

So what does it mean to respond favourably to a company? At a basic level, this can mean choosing to remain a customer. As previously mentioned however, this is essentially a non-issue for many utility companies. It then becomes necessary to think beyond just customer retention. One needs to consider other ways in which customers can respond favourably toward a company.

Other favourable responses or behaviours can be classified into one of three categories that reflect the concept of customer loyalty:

- Participation
- Compliance or Influence
- Advocacy

Specific examples of potential participatory behaviour in the electric utility industry include:

- Signing up for programs that help the customer reduce or manage their energy consumption
- Using the utility as a consultant when selecting energy products and services from a third party
- Participating in pilot programs or research studies

Specific examples of potential compliance or influence behaviours that utility customers might exhibit include:

- Seeking the utility's advice or expertise on an energy-related issue

- Voluntarily cutting back on electricity usage if the utility advised the customer to do so
- Accepting the utility's energy advice or referrals to energy contractors or equipment
- Being influenced by the utility's opinion regarding energy- management advice, equipment, or technologies
- Providing personal information that enables the utility to better serve the customer
- Paying bills online

Creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, lawsuits, fines and construction delays. For an electric utility, specific examples of potential advocacy behaviour include:

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

In sum, loyal behaviour in the utility industry may not be as evident as it is in a more competitive environment. Measuring customer loyalty in a generally non-competitive industry requires one to think about loyalty in non-traditional ways. Customer loyalty is an intangible asset that has positive consequences or outcomes associated with it no matter what the industry. Properly measuring loyalty among utility customers requires thoughtful probing to thoroughly identify the range of participation, compliance, and advocacy behaviours that will ultimately benefit the company in meaningful ways, and foster happier and more loyal customers.

The UtilityPULSE Customer Loyalty Performance Score segments customers into four groups: **Secure** – the most loyal - **Still Favorable**, **Indifferent**, and **At risk**.

Secure customers are "very satisfied" overall with their local electricity utility. They have a very high emotional connection with their utility and definitely would recommend their local utility.

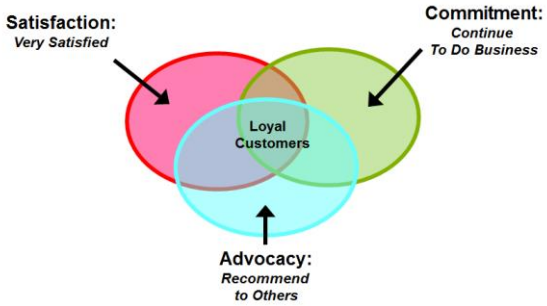
Still favorable customers are "very satisfied" overall, "definitely" or "probably" would recommend their local utility and not switch if they could.

Indifferent customers are less satisfied overall than secure and still-favorable customers and less inclined to recommend their local utility or say they would not switch.

At risk customers, who are "very dissatisfied" with their electricity utility, "definitely" would switch and "definitely" would not recommend it.

Loyalty is driven primarily by a company's interaction with its customers and how well it delivers on their wants and needs.

Customer Loyalty Model

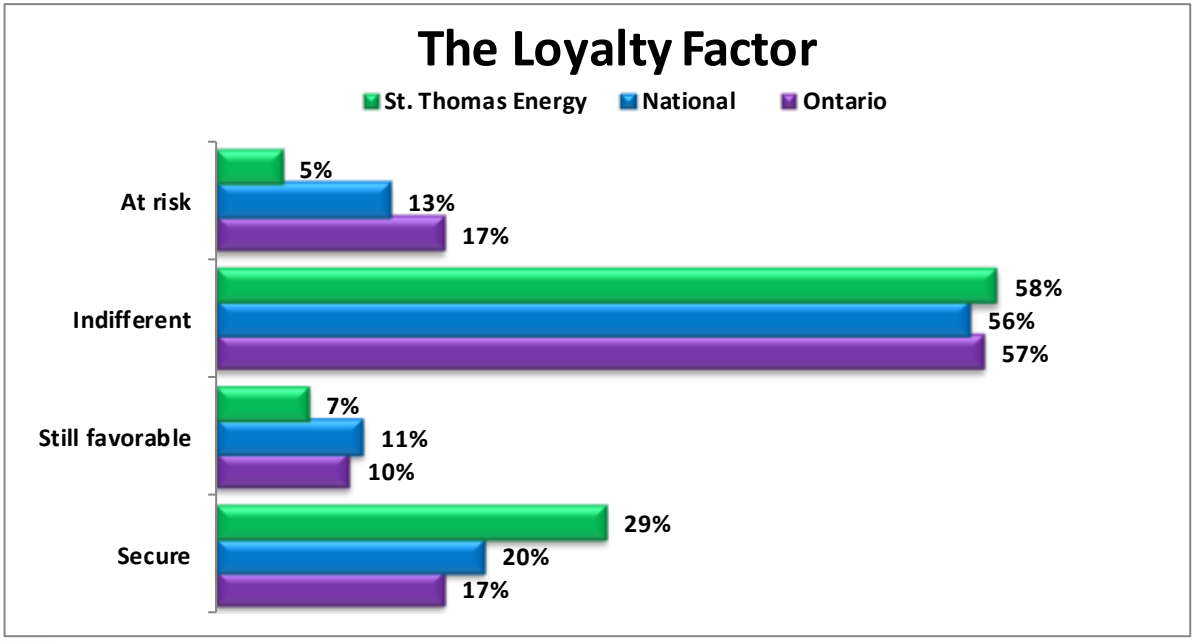


Loyalty is based on likelihood to:

- ***Satisfaction: overall satisfaction***
- ***Commitment: continue as a customer***
- ***Advocacy: willingness to recommend***

Customer Loyalty Groups				
	Secure	Favorable	Indifferent	At Risk
St. Thomas Energy				
2014	29%	7%	58%	5%
2013	-	-	-	-
2012	35%	13%	46%	5%
2011	-	-	-	-
2010	23%	12%	55%	9%

Base: total respondents / (-) not a participant of the survey year



Customer Loyalty Groups				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Ontario				
2014	17%	10%	57%	17%
2013	24%	15%	51%	11%
2012	20%	13%	53%	14%
2011	17%	13%	54%	16%
2010	21%	12%	52%	15%
National				
2014	20%	11%	56%	13%
2013	26%	17%	47%	10%
2012	30%	13%	46%	11%
2011	28%	14%	46%	12%
2010	17%	14%	60%	9%

Base: total respondents

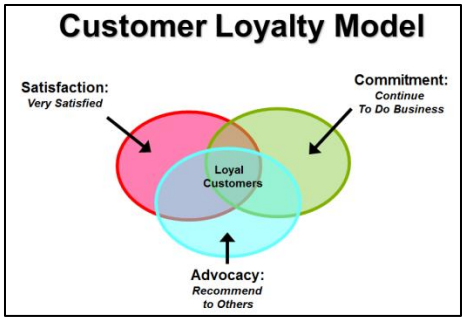
Secure customers' experiences and perceptions are distinct from those of Indifferent customers. There is yet an even greater gap between those identified as Secure versus At Risk.

- Problems are experienced and remain unresolved far more often by the Indifferent or At Risk segments in comparison to others. This is not an unusual finding.
- Other areas of interaction also revealed considerable differences among the segments. Consistently, Secure customers' perceptions are most positive.

Important attributes which shape perceptions about customer affinity			
	Overall	**Secure**	**At Risk**
Customer focused and treats customers as if they're valued	80%	95%	49%
Is pro-active in communicating changes and issues which may affect customers	79%	93%	56%
Deals professionally with customers' problems	85%	96%	61%
Provides information to help customers reduce their electricity costs	79%	92%	55%
Quickly deals with issues that affect customers	82%	95%	56%
Delivers on its service commitments to customers	86%	97%	67%
Provides information and tools to help manage electricity consumption	79%	92%	56%
Is 'easy to do business with'	85%	98%	55%
Adapts well to changes in customer expectations	75%	90%	45%
The cost of electricity is reasonable when compared to other utilities	62%	79%	37%
Provides good value for your money	70%	89%	38%
Provides consistent reliable electricity	90%	99%	77%
Operates a cost effective hydro-electric system	73%	91%	41%
Overall the utility provides excellent quality services	85%	98%	62%

Base:data from the full 2014 database from those respondents with an opinion

Customer commitment



Customer loyalty is a term that can be used to embrace a range of customer attitudes and behaviours. One of the metrics used to gauge loyalty is the measure of **retention,** or intention to buy again; this loyalty attitude is termed **commitment.**

Customer commitment to the local electricity supplier is a very important driver of customer loyalty in the electricity service industry. In a similar way to trust, commitment is considered an important ingredient in successful relationships. In simpler terms, commitment refers to the motivation to continue to do business with and maintain a relationship with a business partner i.e. the local utility.

For electric utilities, this measurement is about identifying the number of customers who feel that they “want to” vs “have to” do business with you. Potential benefits of commitment may include word of mouth communications - an important aspect of attitudinal loyalty. Committed customers have been known to demonstrate a number of beneficial behaviours, for example committed customers tend to:

- Come to you. One of the key benefits of establishing a good level of customer loyalty is that customers will come to you when they need a product or service.

- Validate information received from 3rd parties with information and expertise that you have.
- Try new products/initiatives.
- Perhaps they will even trust you when recommendations are made.
- Be more price tolerant.
- More receptivity of utility viewpoints on various issues.
- More tolerance of errors or issues that inevitably take a swipe at the utility.
- Stronger levels of perception regarding how the utility is managed.

Though customers can not physically leave you, they can emotionally leave you and when they do, it becomes an extreme challenge to garner their participation or support for utility initiatives.

Electricity customers' loyalty – … Is a company that you would like to continue to do business with			
	St. Thomas Energy	**National**	**Ontario**
Top 2 Boxes: 'Definitely + Probably' would continue	85%	74%	72%
Definitely would continue	57%	41%	35%
Probably would continue	28%	32%	37%
Might or might not continue	4%	8%	7%
Probably would not continue	2%	4%	5%
Definitely would not continue	2%	8%	10%

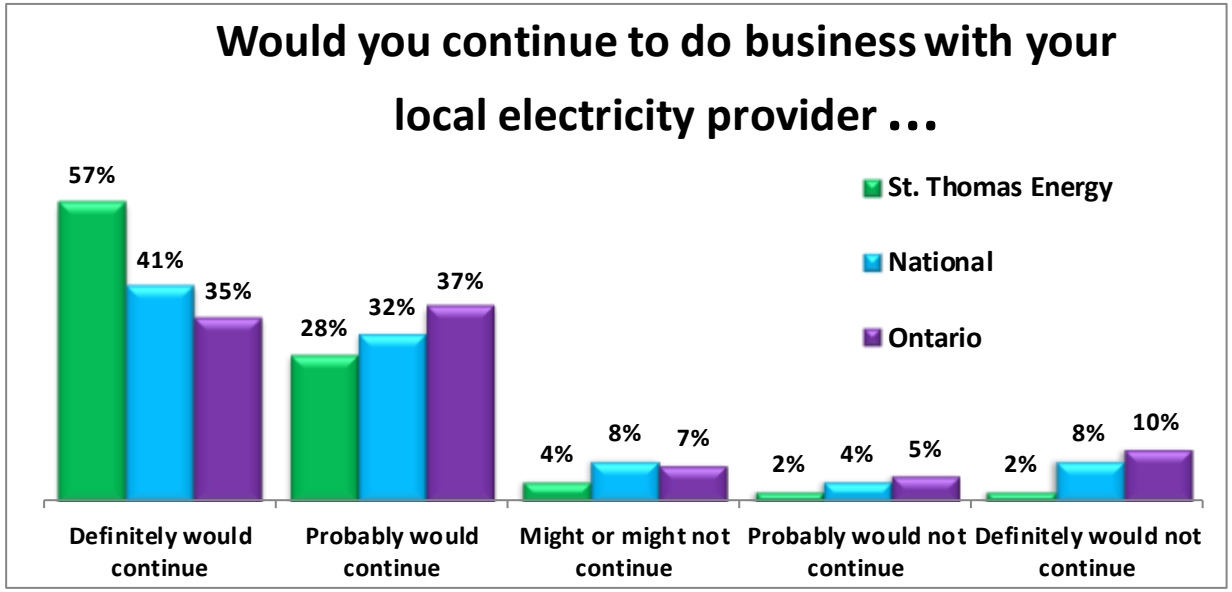
Base: total respondents

Electricity customers' loyalty – … Is a company that you would like to continue to do business with				
St. Thomas Energy	**<$40K**	**$70K+**	**18-34**	**55+**
Top 2 Boxes: 'Definitely + Probably' would continue	83%	83%	83%	86%

Base: total respondents

Electricity customers' loyalty – Is a company that you would like to continue to do business with					
St. Thomas Energy	**2014**	**2013**	**2012**	**2011**	**2010**
Top 2 boxes: 'Definitely + Probably' would continue	85%	-	90%	-	84%

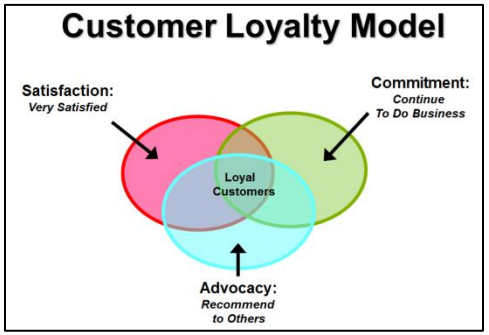
Base: total respondents / (-) not a participant of the survey year



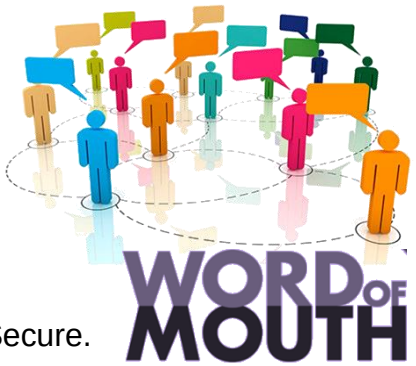
Base: total respondents

Word of mouth

Advocacy is one of the metrics measured in determining customer loyalty. Essentially, companies believe that a loyal customer is one that is spreading the value of the business to others, leading new people to the business and helping the company grow. Customer referrals, endorsements and spreading the word are extremely important forms of customer behaviour. For LDCs this is about generating positive referants about the LDC as a relevant and valuable enterprise.



When customers are loyal to a company, product or service, they not only are more likely to purchase from that company again, but they are more likely to recommend it to others – to openly share their positive feelings and experiences with others. In today's world, thanks to the Internet, they can tell and influence millions of people. That equates to new customers and revenue. The same holds true, if not more, when customers are disloyal. Disgruntled customers could share their negative experiences with an ever-widening audience, jeopardizing a company's reputation and resulting in fewer engaged customers and/or customers who are Favourable or Secure. Secure customers, typically are advocates and they are deeply connected and brand-involved.



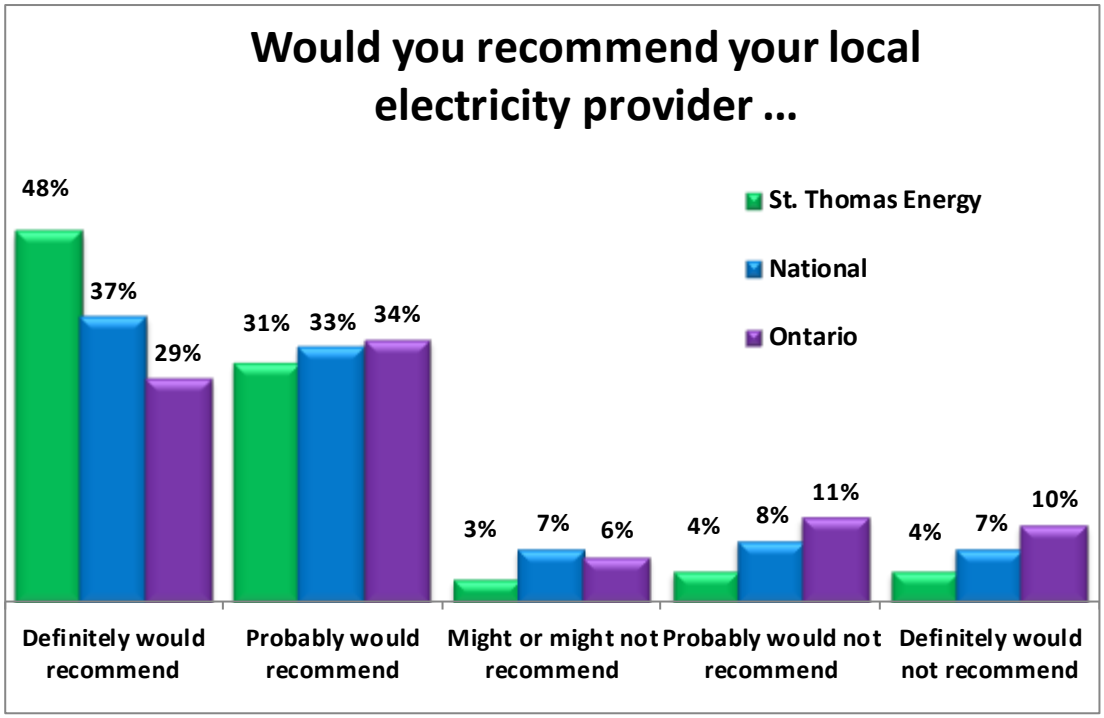
There are two forms of word of mouth which utilities need to understand. The first is Experience-based word of mouth which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.

The second is Relay-based word of mouth. This is when customers pass along important messages to others based on what they have learned through the more traditional forms of communications. For example, if the utility was communicating an offer for "free LED lights" chances are high that the offer will be "relayed" to others through word of mouth.

For an electric utility, specific examples of potential positive advocacy behaviour include:

- *Recommending that other customers specifically locate in the geographic area that is serviced by that utility*
- *Supporting the utility's positions or actions on energy-related public issues, including the environment*
- *Supporting the utility's position on the location and construction of facilities*
- *Providing testimonials about positive experiences with the utility*

Would you tell me if you agree or disagree with the following statement? St. Thomas Energy is a company that you would recommend to a friend or colleague …



Base: total respondents

Word of mouth communication is a very powerful form of communication and influence. When customers are speaking to other customers (or their peers) it is more credible, goes through less perceptual filters and can enhance the view of services or products better than marketing communication.

Electricity customers' loyalty – … is a company that you would recommend to a friend or colleague			
	St. Thomas Energy	National	Ontario
Top 2 boxes: 'Definitely + Probably' would recommend	79%	69%	63%
Definitely would recommend	48%	37%	29%
Probably would recommend	31%	33%	34%
Might or might not recommend	3%	7%	6%
Probably would not recommend	4%	8%	11%
Definitely would not recommend	4%	7%	10%

Base: total respondents

Electricity customers' loyalty – is a company that you would recommend to a friend or colleague				
St. Thomas Energy	<$40K	$70K+	18-34	55+
Top 2 boxes: 'Definitely + Probably' would recommend	80%	76%	80%	79%

Base: total respondents

Electricity customers' loyalty – is a company that you would recommend to a friend or colleague					
St. Thomas Energy	2014	2013	2012	2011	2010
Top 2 boxes: 'Definitely + Probably' would recommend	79%	-	85%	-	73%

Base: total respondents / (-) not a participant of the survey year

Corporate image

Customers may dislike what is going on in the electricity industry and they may have an intense dislike for the amount that they have to pay – but they may not dislike their local utility. We hear comments in the interviews such as: *"I hate how much electricity costs, but my utility does a good job."; "Electricity is so expensive these days and it keeps going up and up, but thank goodness for XYZ hydro."* Customers who are connected to the brand, respect the brand, are more likely to look favourably on their utility. The opposite is also true, customers who do not connect or respect the brand and who are upset with the industry produce very challenging customers when things go wrong.

Corporate Image/Brand, as a factor for influencing a customer's perception about their utility has grown significantly in importance to customers. In 2006, Corporate Image/Brand had about an 18% weighting, Customer care had about a 26% weighting and Management operations had about a 56% weighting as it relates to affecting customer's perceptions. Today, in 2014 all three areas are about equal in weighting.

Data from the 2014 survey show that respondents who give their utilities high marks for respect, trust, and social responsibility also give their utilities high marks for providing high quality services, and better marks for both cost efficiency and reasonableness of costs.

Reputation, image, brand has to be actively managed. Nothing is private anymore. Positive impressions beget positive perceptions. Below are some of the attributes measured in the annual UtilityPULSE survey which are strongly linked to a utility's image.

Attributes strongly linked to a hydro utility's image			
	St. Thomas Energy	National	Ontario
Is a respected company in the community	88%	81%	78%
A leader in promoting energy conservation	83%	78%	77%
Keeps its promises to customers and the community	84%	79%	76%
Is a socially responsible company	87%	78%	77%
Is a trusted and trustworthy company	87%	82%	77%
Adapts well to changes in customer expectations	79%	71%	68%
Is 'easy to do business with'	87%	79%	75%
Provides good value for your money	72%	67%	63%
Overall the utility provides excellent quality services	88%	83%	80%
Operates a cost effective hydro-electric system	77%	69%	62%

Base: total respondents with an opinion

Every LDC has a brand and a brand image, while that image can be affected by events in the industry beyond the control of the LDC, the reality is there is a cost benefit to improving the customer experience, generating higher levels of customer engagement and growing the numbers of Favourable and Secure customers. Providing consistent reliable electricity while being seen as 'easy to do business with', along with providing

information and support for customers to use electricity more efficiently are core components of a successful relationship with customers. The reality is, every utility has an image – why not have the image you want? While keeping the lights on builds a customer's belief that their utility is competent at what it does, image is about building a customer's belief that they can be confident that their utility is successful today and will be successful again tomorrow.

Marketing – Communications			
	St. Thomas Energy	National	Ontario
Topics that require more pro-active communication			
Cost of electricity is reasonable when compared to other utilities	62%	60%	55%
Provides information to help customers reduce electricity costs	80%	77%	75%
Adapts well to changes in customer expectations	79%	71%	68%
Operates a cost effective hydro-electric system	77%	69%	62%
Provides good value for money	72%	67%	63%
Topics that your utility scores very well on			
Is a trusted and trustworthy company	87%	82%	77%
Respected company in the community	88%	81%	78%
Accurate billing	87%	83%	77%
Overall the utility provides excellent quality services	88%	83%	80%
Provides consistent, reliable energy	90%	89%	86%

Base: total respondents with an opinion

Corporate Credibility & Trust

The foundation of every relationship is trust. Without it, engaging customers becomes a large challenge and when trust is low, or non-existent, feedback may not be truthful. Recognizing the myriad of events that have taken place in the industry, it has become increasingly important for a utility to be credible and trusted.

Establishing trust and credibility, whether with business partners, customers or regulators, is not achieved overnight. Creating credibility is a process, which advances only through honest, continuous communication between the utility, its regulators, and the public at large. Pro-active and credible communications from an LDC should do three things for its customers: 1- demonstrate competency 2- build confidence and 3- show a future orientation.

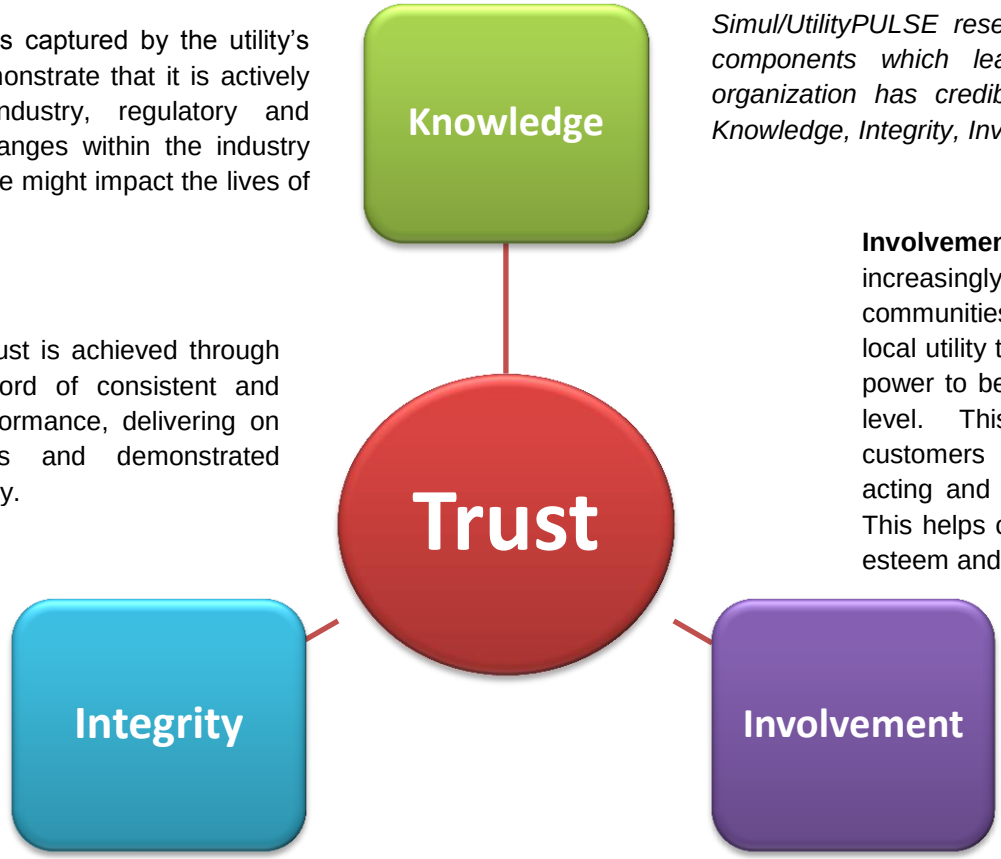
Attributes strongly linked to Credibility & Trust			
	St. Thomas Energy	National	Ontario
Overall the utility provides excellent quality services	88%	83%	80%
Keeps its promises to customers and the community	84%	79%	76%
Customer-focused and treats customers as if they're valued	81%	74%	72%
Is a trusted and trustworthy company	87%	82%	77%

Base: total respondents with an opinion

Public trust in their local utility is the degree to which the public believes that the utility will act in a particular manner because the utility has incorporated the public's interest into its own. Utilities benefit from a trusted relationship with their empowered Customers. Trust and credibility can be thought of as indicators of the degree of confidence stakeholders have in your organization's ability to deliver on its commitments. Trust and credibility are outcomes based on what your utility actually does, not what it might be doing.

Knowledge is captured by the utility's ability to demonstrate that it is actively aware of industry, regulatory and economic changes within the industry and how these might impact the lives of customers.

Simul/UtilityPULSE research shows the under-pinning components which lead customers to believe an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust.



Trust — Trust is achieved through a track record of consistent and reliable performance, delivering on commitments and demonstrated accountability.

Involvement — Corporate Involvement is increasingly important to Canadian communities as it is an opportunity for their local utility to use their resources and man-power to benefit people at the community level. This helps to build credibility as customers see that the organization is acting and delivering on its commitments. This helps customers regard the utility with esteem and respect.

Integrity is established by demonstrating adherence to a code of conduct. It requires consistently acting in accordance with the values and goals that have been communicated to customers.

Using the four components of demonstrating Credibility and Trust, the resultant index shows that LDCs enjoy a high level of credibility and trust. "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently." [Warren Buffet]

Credibility and Trust Index
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 St. Thomas Energy 84% [Ontario 77%; National 80%]

How can service to customers be improved?

Every business, even natural monopolies, need to keep a focus on its customers, its standards of operations and being responsive to problems. Insights into what isn't working or what can be done to improve often come from customers. Continuous improvement is the new normal.

Customers are more informed, more aware, more conscious of what's going on around big issues in the world around them and in this age of internet and social media, they are better equipped to influence service quality and outcomes. They have learned to compare products and services, to document and monitor customer service and satisfaction, and to request or demand higher quality. And, when things go wrong, customers also know that they are "one click" away from the world knowing about it.

As a further way to identify pressure points and areas of concern, respondents were asked to give their top two priorities for improvement to their local utility's service.

For 2014 there is heightened awareness for the need to maintain equipment, keep things up to date, improve reliability, and communicate effectively.

And we are interested in knowing what you think are the one or two most important things St. Thomas Energy *could do to improve service to their customers?*

One or two most important things 'your local utility' could do to improve service	
St. Thomas Energy	**% of all suggestions**
Better prices/lower rates	43%
Better communication with customers	16%
Better maintenance	12%
Better online presence	10%
Information & incentives on energy conservation	9%
Extend service hours/availability of hydro representative	7%
Improve reliability of power	6%
Remove hidden costs on bills	5%
Be more efficient	5%
Staff related concerns	5%
Don't charge for previous debt	4%
Eliminate SMART meters	3%
Improve/simplify/clarify billing	3%

Base: total respondents with suggestions

What do customers think about electricity costs?

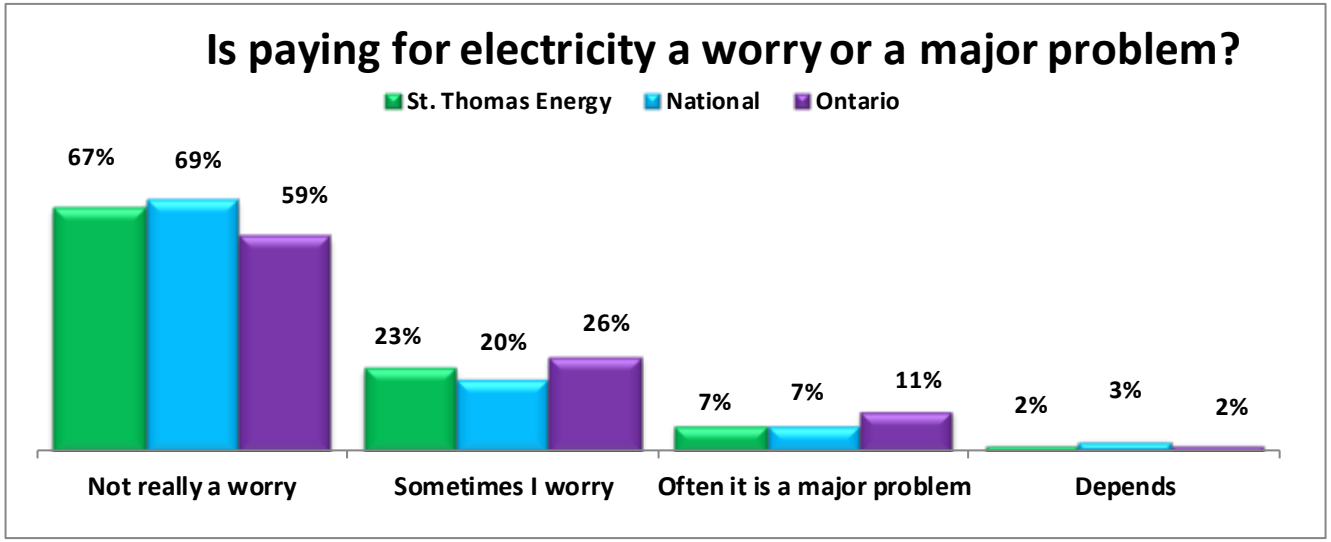
Ask a utility customer – anywhere in the province of Ontario – what do they think about electricity, there is a very high probability that they will say that electricity costs are too high or too expensive. For customers who said that they had a billing problem in the last 12 months, and stated that the problem was “high bills” or “high rates or charges”, there was very little variability between customers who could be called Secure, Favourable, Indifferent or At Risk. There was also very little variability between age groupings or income groupings.

In 2010, 44% of customers who said they had a billing problem cited “high bills” or “high rates or charges” as being the culprit. Our survey database for 2014 tells us the comparable number is 68%. In 5 years there has been much shift towards the issue being high bills and/or high rates. There is a growing concern over costs, which means that the industry needs to monitor “ability to pay”.

Next I am going to read a number of statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry, Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
St. Thomas Energy				
2014	67%	23%	7%	2%
2013	-	-	-	-
2012	69%	19%	7%	2%
2011	-	-	-	-
2010	63%	27%	8%	1%

Base: total respondents / (-) not a participant of the survey year



Base: total respondents

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
St. Thomas Energy				
<$40,000	53%	31%	10%	4%
$40<$70,000	67%	21%	8%	2%
$70,000+	80%	9%	8%	3%

Base: total respondents

The UtilityPULSE database for 2014 shows respondents who have an income less than $40,000 have almost 2X more billing problems than those who have income in excess of $70K per year. 20% of customers <40K said they had a billing problem compared to 11% of respondents who had income over $70K. However respondents in the lower income bracket are more likely to shift use of their electricity to lower cost periods.

Our data also shows that lower income customers are less likely to utilize energy conservations methods that cost money. More important however is the difference the <$40K respondents vs the >$70K as it relates to taking action or who have “already done” a conservation action. Installed a programmable thermostat? 44% “Done” <$40K, 70% “Done” ?$70K. Installed timers: 26% vs 38% “Done”. Replaced Furnace: 43% vs 57% “Done”. Replaced air-conditioner: 35% vs 49%.

Ability to pay then has an impact on conservation.

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
Ontario				
2014	59%	26%	11%	2%
2013	66%	21%	11%	1%
2012	59%	27%	11%	2%
2011	52%	31%	13%	3%
2010	67%	23%	8%	2%
National				
2013	69%	20%	7%	3%
2013	70%	18%	8%	2%
2012	67%	22%	8%	2%
2011	63%	25%	8%	2%
2010	71%	20%	6%	1%

Base: 2014 Ontario and National benchmark surveys

What do small commercial customers think?

Residential and small business customers create the bulk of a utility's service transactions every day—and account for more than half of the energy consumed — understanding their needs and expectations is becoming more important than ever before.

Interestingly the definition for small commercial customers is defined based on usage. While this definition is used for regulatory purposes, the reality is small commercial customers have many "personas". Unfortunately customer information on small commercial customers rarely contains enough data to truly develop targeted communications.

Small Commercial Customer (General Service < 50kW Demand)

A small commercial customer is defined by the OEB as a non-residential customer in a less than 50 kW demand rate class. These customers are similar to the residential customer in that their bill does not have a demand component to it and their charges are based upon KWH of consumption. Most of these customers would occupy small storefront locations or offices

Data from the 2014 full database shows small commercial customers with higher satisfaction and having less outages than residential customers. However commercial customers are 2X more likely to contact their utility when the power goes off or when there is a billing problem.

Deposit requirements, monthly energy bills (and, therefore, energy usage), power quality, and reliability all directly impact a small business's financial situation. Unlike residential customers who tend to describe the cost of power interruptions in terms of a "inconvenience", commercial (and industrial) customers associate power interruptions with the cost of lost business, i.e., a loss in production is a loss in profits.

Likewise, based on the requirement of electricity to sustain business operations, there exists a difference in actual levels of demand response. For instance, small business and commercial users are unlikely to choose to decrease their electricity consumption if it is incompatible with efficient management of their business processes or threatens contracted deliveries to their primary product markets. In some cases, electricity consumption is a relatively small proportion of total input and operating costs, which substantially reduces the financial incentive for shutting down production during off peak pricing.

The tables associated with this report will contain Ontario LDC specific information as it relates to residential and commercial customers. Recognizing that smaller data samples are susceptible to greater data swings, for most LDCs there would be 60 or 90 responses from small commercial customers. We have compiled the following based on a group composite of all of our 2014 discussions with small commercial and residential customers.

Satisfaction: Pre & Post		
Satisfaction (Top 2 Boxes: 'very + somewhat satisfied')	**Residential**	**Commercial**
Initially	89%	91%
End of Interview	90%	93%

Base: total respondents from the full 2014 database

As it relates to the six attributes associated with customer service:

Very or fairly satisfied with…	Residential	Commercial
The time it took to contact someone	73%	78%
The time it took someone to deal with your problem	66%	76%
The helpfulness of the staff who dealt with your problem	74%	83%
The knowledge of the staff who dealt with your problem	71%	82%
The level of courtesy of the staff who dealt with your problem	81%	89%
The quality of information provided by the staff member	70%	79%

Base: total respondents from the full 2014 database

Commercial respondents had higher satisfaction levels with customer service versus Residential respondents.

Overall satisfaction with most recent experience		
	Residential	Commercial
Top 2 Boxes: 'very + somewhat satisfied'	73%	79%
Bottom 2 Boxes: 'somewhat + very dissatisfied'	24%	19%

Base: total respondents from the full 2014 database

Comparisons between Residential and Commercial		
Loyalty Groups	**Residential**	**Commercial**
Secure	22%	26%
Still Favourable	10%	12%
Indifferent	60%	55%
At risk	7%	7%

Base: total respondents from the full 2014 database

Loyalty Model Factors	***Residential***	***Commercial***
Very/somewhat satisfied	89%	91%
Definitely/probably would continue	82%	84%
Definitely/probably would recommend	75%	77%

Base: total respondents from the full 2014 database

Outages & Bill problems	Residential	Commercial
Respondents with outage problems	43%	28%
Respondents with billing problems	14%	13%

Base: total respondents from the full 2014 database

Attempts to contact local utility…	Residential	Commercial
Respondents with outage problems	18%	33%
Respondents with billing problems	31%	63%

Base: total respondents from the full 2014 database

Residential respondents reported a considerably higher incidence of outages.

Commercial respondents were more likely to call in about billing and outage problems.

Important attributes which describe operational effectiveness		
	Residential	Commercial
Provides consistent, reliable electricity	90%	91%
Delivers on its service commitments to customers	86%	87%
Accurate billing	85%	86%
Quickly handles outages and restores power	87%	88%
Makes electrical safety a top priority	88%	90%
Uses responsible environmental practices when completing work	85%	88%
Is efficient at managing the hydro-electric system	81%	83%
Is a company that is 'easy to do business with'	84%	85%
Operates a cost effective hydro-electric system	73%	74%

Base: total respondents with an opinion from the full 2014 database

Important attributes which shape perceptions about corporate image		
	Residential	Commercial
Is a respected company in the community	86%	87%
Maintains high standards of business ethics	84%	85%
A leader in promoting energy conservation	81%	83%
Keeps its promises to customers and the community	83%	84%
Is a socially responsible company	84%	85%
Is a trusted and trustworthy company	85%	86%
Adapts well to changes in customer expectations	75%	77%
Overall the utility provides excellent quality services	85%	86%

Base: total respondents with an opinion from the full 2014 database

Important attributes which shape perceptions about service quality and value		
	Residential	Commercial
Is pro-active in communicating changes and issues which may affect customers	79%	83%
Provides good value for money	70%	71%
Customer-focused and treats customers as if they're valued	79%	81%
Deals professionally with customers' problems	85%	86%
Quickly deals with issues that affect customers	82%	84%
Provides information and tools to help manage electricity consumption	80%	79%
Provides information to help customers reduce their electricity costs	79%	71%
The cost of electricity is reasonable when compared to other utilities	62%	64%

Base: total respondents with an opinion from the full 2014 database

Is paying for electricity a worry or a major problem?		
	Residential	Commercial
Not really a worry	66%	67%
Sometimes I worry	22%	21%
Often it is a major problem	7%	8%
Depends	2%	2%

Base: total respondents from the full 2014 database

When a weather related event occurs there is no distinction as to whom it will target – basically all those in its path will be affected. As it relates to the Ice Storm of 2013, the following are responses taken from all residential and commercial respondents who said they were affected by the storm.

Percentage of Respondents who contacted their utility about the ice storm power outage		
	Residential	Commercial
Yes	17%	22%
No	82%	75%

Base: total respondents from the full 2014 database who were affected by the ice storm

Length of outage (during Ice Storm 2013)								
	Less than 2 hours	2 – 4 hours	4+ hours or ½ day	12-18 hours or ½ - ¾ day	19-24 hours or 1 day	1 to 1.5 days	1.6 to 2 days	More than 2 days
Residential	21%	19%	21%	8%	5%	5%	4%	7%
Commercial	17%	20%	15%	7%	6%	4%	4%	9%

Base: total respondents from the full 2014 database who were affected by the ice storm

While technology has provided various channels for communications, the telephone remains the predominant means of communication at this point in time.

What method did you use to contact your electric utility about the outage during Ice Storm 2013?		
	Residential	Commercial
Telephone	86%	94%
E-mail	1%	1%
Social media - Twitter	1%	0%
In person	1%	0%
Other	2%	2%
Don't know	3%	2%

Base: total respondents from the full 2014 database who were affected by the ice storm

While there is no doubt a power outage will cause disruption in day to day events, the tolerance level in the wake of an outage is related to the amount of dependency on electricity in day to day workings. Regardless, respondents in this year's survey, be they residential or commercial, shared a common tolerance level for the length of time to go without electricity during an extreme event or situation.

In your view, what is an acceptable period of time to go without electricity in situations like Ice Storm 2013?

	Residential	Commercial
None (the power shouldn't be going out)	7%	8%
Less than 2 hours	11%	12%
2-4 hours	17%	17%
4+ hours or ½ day	16%	14%
12 – 18 hours or ½ day to ¾ day	8%	6%
19 – 24 hours or 1 day	10%	10%
1 to 1.5 days	5%	4%
1.6 to 2 days	5%	7%
More than 2 days	4%	4%
Other	2%	1%
Don't know	14%	17%

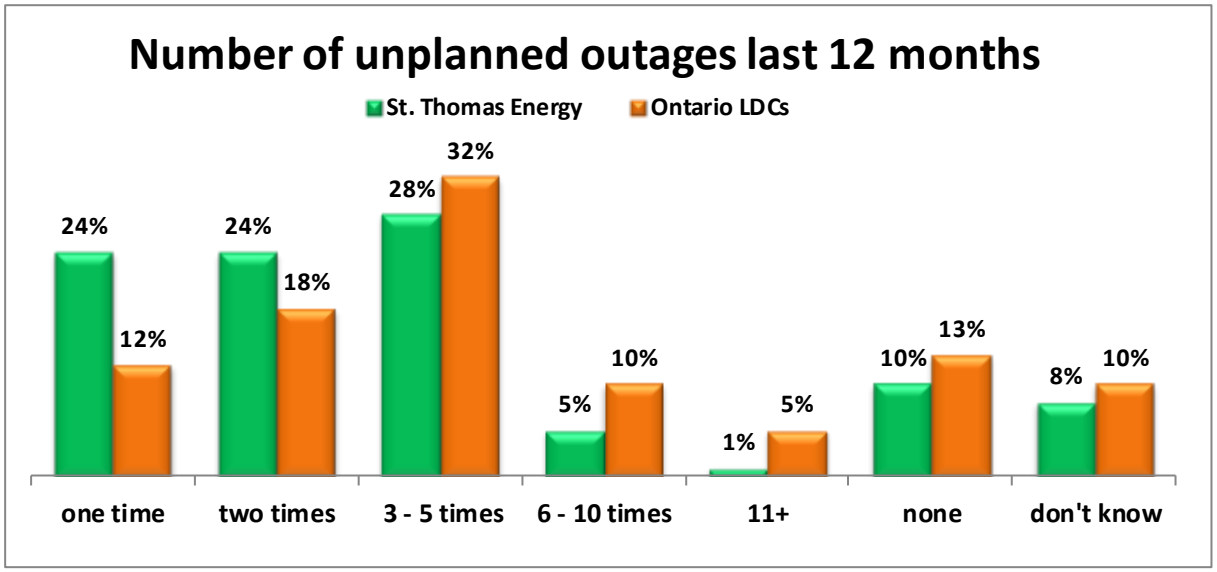
Base: total respondents from the full 2014 database who were affected by the ice storm

SUPPLEMENTAL QUESTIONS

Outage Communications

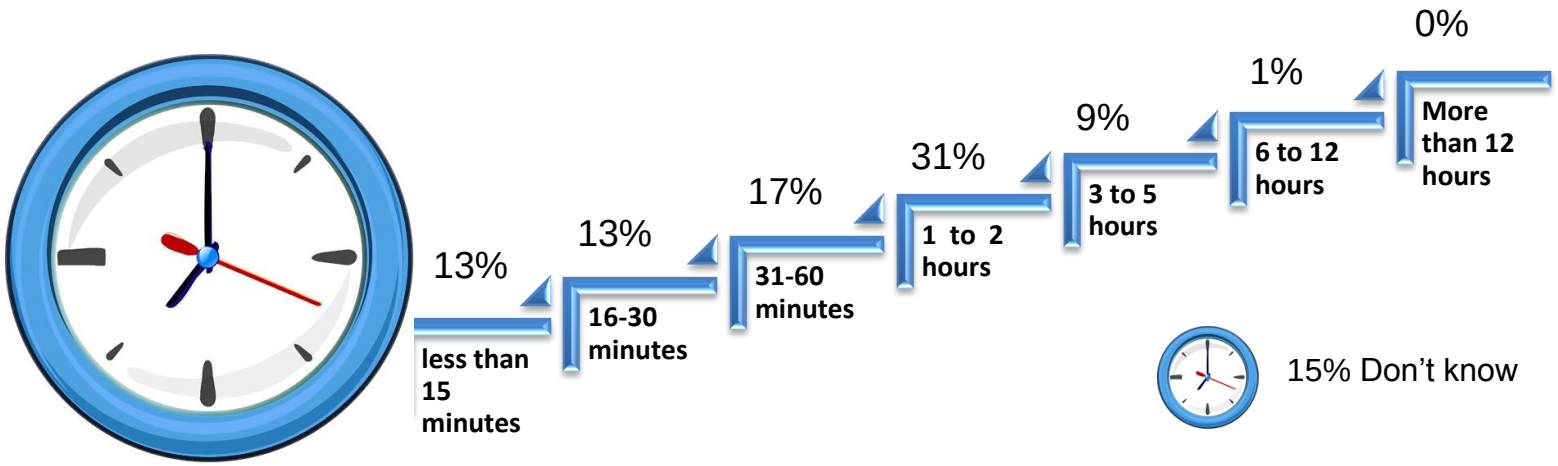
Whether an outage is planned or unplanned, the reality is that it is going to cause disruption and inconvenience under best case scenarios and under worst case scenarios there could be safety and financial consequences.

The impact of severe weather such as storms and other outage events are causing longer duration and more frequent outages.



Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility

When an unplanned outage occurs, how long, on average, is the outage?



Base: 90% of total respondents from the local utility

However, one thing for certain, no matter what the scenario happens to be, customers are expecting their utility to keep them continually updated on the status of outages. Most importantly, and top priority, is to know the estimated restoration time. They also want to know the cause of the outage because they do not want to be a frequent outage customer.

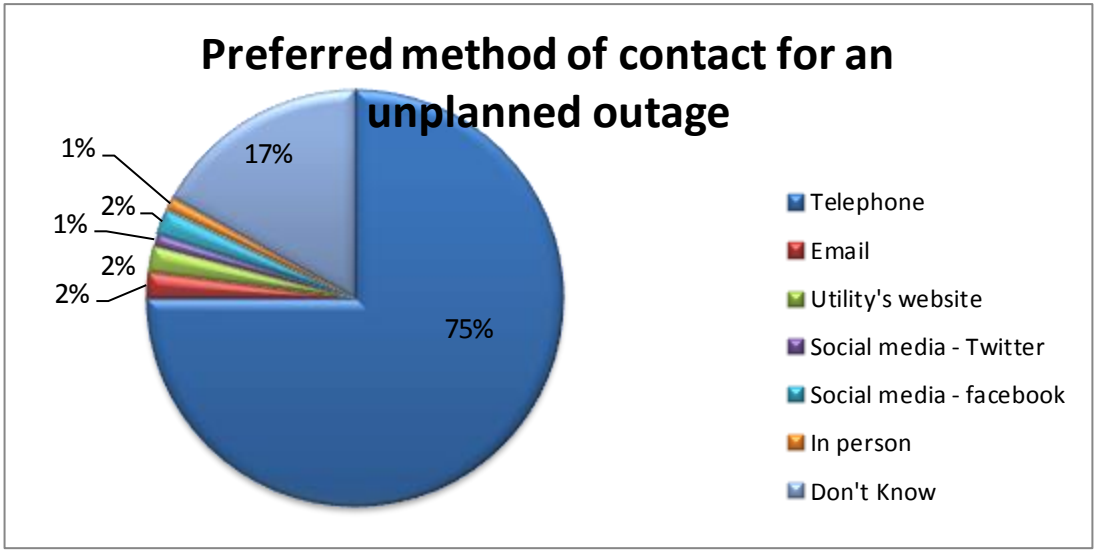
How a utility chooses to handle, manage and communicate with customers during an outage situation does affect customers' satisfaction with their utility. Customers want timely, accurate and relevant information about an outage and customers expect a utility various communication channels to ensure their message is getting out there. This means not only obtaining information via the call centre and IVR but customers have increasing

expectations for proactive two-way communication through social media, utility websites and modern communication devices (e.g. tablets, smartphones) and apps.

The types of information that customers require during an outage include:

- When will their power be restored?
- What areas are affected?
- How many customers are impacted?
- Have work crews been dispatched to the affected area and is the utility working to restore power?
- What was the cause of the power outage?
- What can customers do to cope during the outage?

Inability to provide the above information accurately and in a timely manner will result in customer complaints, increased call volumes to your call centres, create unwanted public and media attention, and negatively impact customer satisfaction.



Base: 90% of total respondents from the local utility

Utility's effectiveness during an unplanned outage		
Top 2 Boxes: 'very + somewhat effective'	**Ontario LDCs**	**St. Thomas Energy**
Responding to questions	61%	59%
Providing a reason for the outage	61%	61%
Providing an estimate when power will be restored	60%	54%
Responding to the power outage	81%	85%
Restoring power quickly	85%	91%
Communicating updates periodically	64%	62%
Posting information to the website	35%	31%
Using media channels for providing updates	53%	54%

Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility

Customer expectations during an unplanned (and even planned) outage event:

- Communication about when they can expect their power to be restored
- Detailed information about what is happening in their community or service area
- Easy access to information – ideally from a familiar source

Keeping customers in the loop will help ease tensions during an outage event. An informed customer will be a less angry customer.

Priority Investments

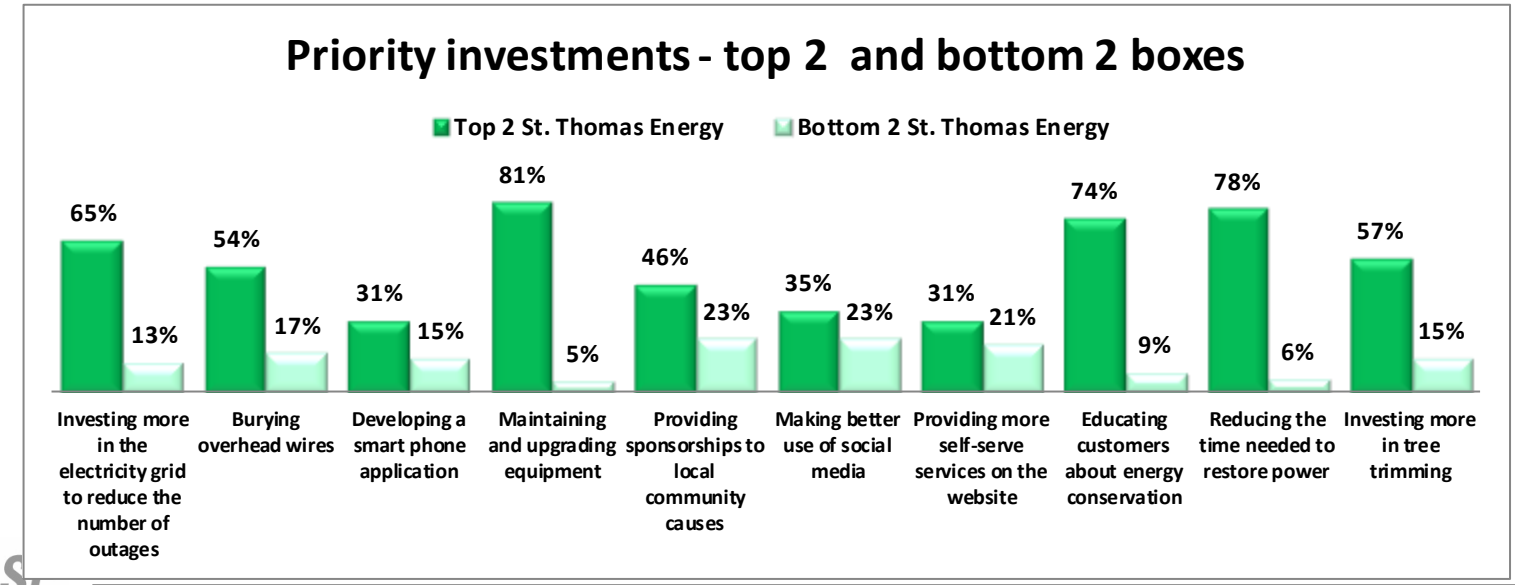
While regulation and reliability are top concerns in the utility industry, aging infrastructure is now a top operational concern. Major issues around electricity are that generation investment has been deferred and major improvements are needed in distribution and transmission. Customers agree with industry insiders that infrastructure renewal is a high priority.

When most people turn on a light, they rarely give much thought to the vast networks and complex systems behind them. Electricity networks are aging. A significant rise in the level of upgrades and renewals of network infrastructure is needed so that the infrastructure will be fit for its current and future purposes. The costs of the components of providing electricity – generation, transmission, distribution and retail – are all increasing, adding upward pressure on utility rates. Canadians are noticing infrastructure more than usual, and at least some are trying to think about it—because when it fails, it has disturbing consequences.

This year, respondents were asked for their views about prioritizing investments and activities since ensuring sustainability of infrastructure and maintaining affordable electricity costs is becoming more of a challenge.

Priority Investments		
Top 2 Boxes: 'Very high priority + High priority'	**Ontario LDCs**	**St. Thomas Energy**
Investing more in the electricity grid to reduce the number of outages	74%	65%
Burying overhead wires	60%	54%
Developing a smart phone application	31%	31%
Maintaining and upgrading equipment	83%	81%
Providing sponsorships to local community causes	43%	46%
Making better use of social media	30%	35%
Providing more self-serve services on the website	38%	31%
Educating customers about energy conservation	74%	74%
Reducing the time needed to restore power	79%	78%
Investing more in tree trimming	58%	57%

Base: An aggregate of respondents from 2014 participating LDCs / 90% of total respondents from the local utility



Energy Conservation & Efficiency

Addressing homeowner and small business energy conservation behaviours is a vital part of the success or failure of this country's energy future. Local utilities play an important role for shaping energy efficiency and energy conservation behaviours.

Attributes linked to energy conservation		
Top 2 Boxes: 'agree + strongly agree'	**Ontario LDCs**	**St. Thomas Energy**
Provides information to help customers reduce electricity costs	79%	80%
Provides information and tools to help manage electricity consumption	79%	81%
A leader in promoting energy conservation	81%	83%

Base: total respondents with an opinion

With arguably more responsibility for energy use and energy conservation falling to consumers, two questions arise: (1) What factors affect whether individuals decide to conserve energy? (2) How might the knowledge of these factors be used to impact energy conservation decision-making processes to convince consumers to adopt energy conservation behaviours?

Individual choices to conserve are constrained by individual factors including technological availability, financial resources, and individual knowledge and abilities. The critical factor in the creation of comprehensive energy conservation education programs is the recognition that the consumer's culture, attitudes, and household demographics are driving forces behind consumer actions.

Efforts to conserve energy		
Conservation/efficiency efforts "already done"	**Ontario LDCs**	**St. Thomas Energy**
Install energy-efficient light bulbs or lighting equipment	70%	65%
Install timers on lights or equipment	35%	26%
Shift use of electricity to lower cost periods	58%	63%
Install window blinds or awnings	60%	56%
Install a programmable thermostat	60%	60%
Have an energy expert conduct an energy audit	16%	26%
Removing old refrigerator or freezer for free	38%	41%
Join the peaksaverPLUS™ program	21%	14%
Replacing furnace with a high efficiency model	52%	54%
Replacing air-conditioner with a high efficiency model	44%	46%
Use a coupon to purchase qualified energy saving products	22%	19%

Base: An aggregate of respondents from 2014 participating LDCs

Since conservation usually implies inconvenience or sacrifice ie. an individual must use less energy, change a pattern of the time certain chores are done, a motivational factor needs to exist to really incite a change in behaviour i.e. a self-interest or social responsibility or monetary gain.

But focusing on the "vital few" changes you're asking for has to be coupled with immediate and obvious feedback on the effects of change – especially at the start. If neither the dollar impact nor the environmental impact is significant at the level of individual change *and* the behaviour requires inconvenience or loss—it is unlikely that people will make the change.

As Rosemarie LeClaire stated in a presentation to the Ontario Energy Network (April 28, 2014), the industry has changed from a static energy system with largely passive and powerless consumers to one where customers want to be, expected to be, and should be more active in their energy use. Control has shifted from the utility to the customer. Like any major change there are early adopters, i.e., people who want to be proactive in the managing and monitoring of electricity use, and very late adopters i.e., people who resist having to actively manage their electricity use.

However there is a growing skepticism amongst customers who have made some energy conservation changes because they haven't seen a decline in their utility bills. The danger of encouraging someone to make a behaviour change with no real resultant reward for the change, the unintended consequence is what is called "learned helplessness". In other words, when people take action to solve a problem that fails, they almost always end up concluding that they have no control.

What is important then is to:

- Communicate effectively and realistically (it isn't all about saving money)
- Demonstrate the ease by which individuals can participate in various energy efficiency or energy conservation activities
- Provide testimonials from real people who have made changes
- Educate, educate, educate
- Address the biggest barrier to energy conservation efforts i.e., the costs involved in making a change, with financial incentives.

E-care

As customers pursue new, technology-enabled experiences with other service providers in the retail, telecommunications, and banking industries, they will expect the same from their utility.

Technology – specifically the internet—has allowed people access to far more information than ever before and the ability to do more than ever before: receive and pay bills on the internet, sign up for and change their services using the internet, find answers to their questions online about their accounts, i.e. statements, payments, balances and learn about products, services and topics, i.e., green energy, electricity pricing, etc.

Do you have access to the internet?		
	Ontario LDCs	St. Thomas Energy
Yes	87%	81%
No	13%	19%

Base: An aggregate of respondents from 2014 participating LDCs

Utilities that provide their customers with access to information and empowerment tools will likely be better positioned to remain relevant and in touch with their customers. A challenge facing utilities right now is determining which tools and information delivery capabilities to build, and how to do so in a cost effective manner.

We asked respondents who were currently connected or had access to the internet if they in fact visited their local utility website.

Over the past six months have you accessed your local utility website?

The respondents who actually accessed the utility's website were asked how frequently they would visit the website:

	Ontario LDCs	St. Thomas Energy
• **Once per month**	30%	40%
• **Less often than once per month**	47%	40%

Base: An aggregate of respondents from 2014 participating LDCs

The convenience and capability brought on by the internet allows customers to be empowered. Customers have the tools and knowledge to manage energy usage at their disposal. Empowerment also implies self-service and instant access to information.

Likelihood of using the internet for future customer care needs for things such as:		
Top 2 Boxes: 'very + somewhat likely'	**Ontario LDCs**	**St. Thomas Energy**
Setting up a new account	31%	7%
Arranging a move	38%	12%
Accessing information about your bill	55%	26%
Accessing information about your electricity usage	54%	21%
Accessing energy saving tips and advice	45%	16%
Accessing information about Time Of Use rates	51%	21%
Maintaining information about your account or preferences	51%	16%
Paying your bill through the utility's website	32%	12%
Getting information about power outages	47%	19%
Arranging for service	40%	16%

Base: An aggregate of respondents from 2014 participating LDCs

To keep up, utilities should develop a better understanding of their future customer, focus on the overall customer, stay current with the latest trends and technologies, and use information to create a more personalized, one-to-one experience.

Electric Utility Industry Knowledge & SMART Grid

Beyond knowing that electricity is needed to maintain their day to day activities, does the average person feel that they are actually knowledgeable about the electric utility industry?

Knowledge level about the electric utility industry	
	Ontario
Extremely knowledgeable	2%
Very knowledgeable	11%
Moderately knowledgeable	47%
Slightly knowledgeable	26%
Not very knowledgeable	14%
Don't know	1%

Base: total respondents in the Ontario Benchmark survey

Two-thirds (60%) of those polled considered themselves moderately to extremely knowledgeable about the electric industry.

In recent years, the concept of the “SMART Grid” has emerged—first using information technology as a means of improving electricity reliability—and then more recently—to improve efficiency, reduce pollution, and to incorporate more renewable and sustainable sources of generation. A smarter grid will become the SMART Grid over time, as new technologies bring us more benefits. However, what is the “SMART Grid” knowledge level held by consumers currently?

Once again, this year’s survey probed around the concept of SMART Grid. While it is evident that the SMART Grid is still not a much talked about concept, only 34% have a basic or good understanding of what it is, oddly enough, 60% still think that it is important to pursue SMART Grid implementation. It is also clear that the majority of respondents (78%) are ‘very + somewhat supportive' of the utility working with neighbouring utilities on SMART Grid initiatives.

Level of knowledge about the SMART Grid	
	Ontario
I have a fairly good understanding of what it is and how it might benefit homes and businesses	9%
I have a basic understanding of what it is and how it might work	25%
I’ve heard of the term, but don’t know much about it	36%
I have not heard of the term	29%
Don’t know	1%

Base: total respondents in the Ontario Benchmark survey

Importance of pursuing implementation of the SMART Grid	
	Ontario
Very important	26%
Somewhat important	34%
Neither important or unimportant	6%
Somewhat unimportant	5%
Unimportant	8%
Don't know	21%

Base: total respondents in the Ontario Benchmark survey

Support towards working with neighbouring utilities on SMART Grid initiatives	
	Ontario
Very supportive	41%
Somewhat supportive	37%
Neither supportive or unsupportive	4%
Somewhat unsupportive	4%
Unsupportive	4%
Don't know	10%

Base: total respondents in the Ontario Benchmark survey

Consumer Energy Use Behaviour

Canadian consumers, like people throughout the rest of the world, have faced rapidly rising energy prices during the past decade, and they have had to become more focused on energy conservation and efficiency. The cost of heating and cooling homes, along with negative fallout from an economic recession, has forced individuals to focus on their energy use and expenditures.

Do customers believe there is a real pay-off for trying to reduce their energy consumption? Does this impact overall efforts to reduce consumption? Respondents were asked *"How active have you been in trying to reduce your electricity consumption?"*

- 94% feel they are "very + somewhat active" in trying to reduce electricity consumption, and
- 81% of those do believe their efforts have resulted in reduced energy consumption, of which
- 44% estimate that they were able to offset an energy consumption reduction of more than 10%, and
- 72% believe that these efforts translated to saving on their electricity bills.

Of course, there are a number of factors (external environment, individual attitudes, household demographics, and consumer choice) which contribute to consumer energy use behaviours and consequences. Identifying these factors which contribute to consumer energy conservation practices and using these factors to tailor energy conservation education programs to change consumer energy use attitudes and behaviours is one essential step to reduce overall energy use and expenditures.

Level of Activity in trying to reduce electricity consumption	
	Ontario
Very active	52%
Somewhat active	42%
Neither proactive or inactive	0%
Not active	2%
Not very active	3%

Base: total respondents in the Ontario Benchmark survey

Estimate of percentage reduction in consumption	
	Ontario
1 – 2 %	5%
3 – 5 %	10%
6 – 8 %	4%
9 – 10 %	15%
More than 10%	44%
Don't know	21%

Base: total respondents in the Ontario Benchmark survey whose active efforts have reduced consumption

Active efforts have reduced energy consumption

81%

16%

Base: total respondents in the Ontario Benchmark survey who have been active in trying to reduce energy consumption

Efforts to conserve have translated into savings on your electricity bill

72%

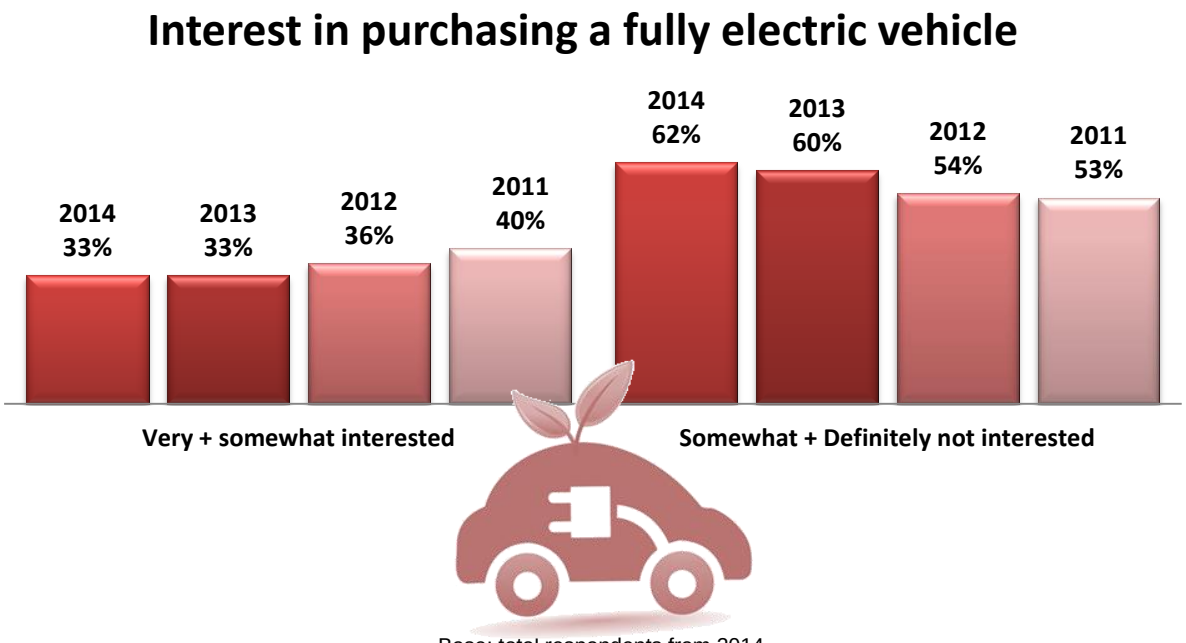
24%

Base: total respondents in the Ontario Benchmark survey whose active efforts have reduced consumption

Purchasing an Electric Vehicle

There is enormous uncertainty about just how quickly the number of EVs on the road is set to grow over the long term. Mass commercialization of EVs has still not taken hold in today's public mindset. 33% of respondents indicated interest in purchasing a fully electric vehicle, consistent with 2013 findings of 34% but a drop since 2011 where 41% expressed interest in replacing conventional vehicles with EVs. 61% expressed little or no interest in EVs, virtually no change since last year, at 60%, however an since 2011, where 53% claimed disinterest in the electric vehicle.

A breakdown of gender support shows that 38% of men vs 27% of women are interested in the EV. There has been a drop in the "positive support" from respondents in the $40k-$70k income range from 45% interested in 2013 to just 28% in 2014.



Base: total respondents from 2014 Ontario Benchmark survey

Looking at age demographics, again, shows a shift in thinking about wanting to purchase an electric vehicle. 22% of older respondents (55+) versus 47% of respondents aged 35-54 are in favour of EVs replacing conventional cars. 43% of those aged 18-34 are receptive to the idea of purchasing an electric vehicle.

When asked how long it would be before they would consider an EV as an option for their next car purchase, only 1 in 10 (11%) would consider an EV within the next 24 months.

Interest in purchasing a fully electric vehicle						
	Income <$40K	Income $40K<$70K	Income $70K +	Age 18-34	Age 35-54	Age 55+
Top 2 Boxes: 2014 'very + somewhat interested'	30%	28%	42%	27%	39%	28%
Top 2 Boxes: 2013 'very + somewhat interested'	22%	45%	43%	43%	47%	22%

Base: total respondents from 2014 Ontario Benchmark survey

Length of time before purchasing a fully electric vehicle	
	Ontario
Immediately to next 6 months	2%
7 to 12 months	2%
13 to 24 months	9%
Over 24 months	79%
Depends	5%
Don't know	3%

Base: total respondents from 2014 Ontario Benchmark survey

Method

The findings in this report are based on telephone interviews conducted for Simul Corp. by Greenwich Associates between March 21 - March 27, 2014, with 407 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by St. Thomas Energy.

The sample of phone numbers chosen was drawn randomly to insure that each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 407 residential and commercial customers will differ by no more than ±4.86 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 4.86 percentage points in either direction from results that would have been obtained by interviewing all St. Thomas Energy residential and small and medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub samples is larger. To see the error margin for subgroups use the calculator at http://www.surveysystem.com/sscalc.htm.

Interviewers reached 1,105 households and businesses from the customer list supplied by St. Thomas Energy. The 407 who completed the interview represent a 37% response rate.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews conducted March 3 through March 21, 2014, with adults throughout the country who are responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios used in the local community surveys. The margin of error in the National poll is ±2.7 percentage points at the 95% confidence level.

For the National study, the sample of phone numbers chosen was drawn by recognized probability sampling methods to insure that each region of the country was

represented in proportion to its population and by a method that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner that insures that everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability, the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next most likely are outcomes very close to this true percentage. A statement of potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve. The spread of responses is a way of showing how much the result deviates from the "standard mean" or

average. In the St. Thomas Energy data on corporate image, Simul converted the answers to a point scale with 4 meaning agree strongly, 3 meaning agree somewhat and so on (see in the computer tables).

For example, the mean score is 3.61 for providing consistent, reliable electricity. The average is 3.19 for providing information to help customers reduce their energy costs.

For reliable electricity the standard deviation is 0.56. For affordable energy the S.D. is 0.87. These findings mean there is a wider range of opinion – meaning less consensus – about whether St. Thomas Energy provides information to help customers to reduce their energy costs than about whether St. Thomas Energy energy supplies are reliable.

Beneath the S.D. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the sample's results are from the standard deviation. The smaller the S.E., the greater the reliability of the data.

In other words, a low S.E. indicates that the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable spread of the answers "predicted" in sampling and probability theory.

Certain questions pertaining to conservation and conservation efforts used an aggregate data approach whereby similar data sets were accumulated to form a larger sample size establishing a higher confidence interval, forecasting value and modeling data.

In these instances, all of the sub-datasets from the entire UtilityPULSE database for 2014 were concatenated in order to use the average of all the control samples for comparison. The cumulated population base for these questions was in excess of 6,500.

At a 95% confidence level the margin of error is ±1.22 and at a 99% confidence level the margin of error would be ±1.6 . So the aggregate strategy has given a very good population sample size which better, or more accurately, reflects the true feelings and beliefs of the population as a whole.

Simul

UtilityPULSE

Good things happen when work places work. You'll receive both strategic and pragmatic guidance about how to improve Customer satisfaction & Employee engagement with leaders that lead and a front-line that is inspired. We provide: training, consulting, surveys, diagnostic tools and keynotes. The electric utility industry is a market segment that we specialize in. We've done work for the Ontario Electrical League, the Ontario Energy Network, and both large and small utilities. For sixteen years we have been talking to 1000's of utility customers in Ontario and across Canada and we have expertise that is beneficial to every utility.

Culture, Leadership & Performance – Organizational Development	**Focus Groups, Surveys, Polls, Diagnostics**	**Customer Service Excellence**
Leadership development	Diagnostics ie. Change Readiness, Leadership Effectiveness, Managerial Competencies	Service Excellence Leadership
Strategic Planning	Surveys & Polls	Telephone Skills
Teambuilding	Customer Satisfaction and Loyalty Benchmarking Surveys	Customer Care
Organizational Culture Transformation	Organization Culture Surveys	Dealing with Difficult Customers

Benefit from our expertise in Customer Satisfaction, Leadership development, Strategy development or review, and Front-line & Top-line driven-change. We're experts in helping you assess and then transform your organization's culture to one where achieving goals while creating higher levels of customer satisfaction is important. Call us when creating an organization where more employees satisfy more customers more often, is important.

Your personal contact is:

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1-Energy Probe-3

Ref: Exhibit 1, Tab 5, Schedule 1

a) What is the total cost associate with the Roving Energy Manager?

b) What proportion of these costs would be paid for by STEI?

c) Has this amount been included in the 2014 revenue requirement?

Response:

a) There are now three Roving Energy Managers (REM) being shared by five distribution companies. The OPA provides the funding for the Roving Energy Managers, each is funded for a one year period at $120,000 base cost, up to $8,000 for expenses and 14.2% of the base fee for administration.

b) The Roving Energy Managers costs are covered by the OPA.

c) There are no REM costs included in the revenue requirement for STEI.

1-Energy Probe-4

Ref: Exhibit 1, Tab 5, Schedule 17

Are costs associated with the Board of Directors of any of the corporations shown included in either the test revenue requirement or the historical OM&A costs for STEI? If yes, please quantify.

Response:

Ref: Exhibit 4, Tab 1, Schedule 5, pages 5 to 7

STEI Board of Director costs have been included in the 2015TY revenue requirement and in historical OM&A costs. 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.

The 2012 to 2015 amounts are as follows:

- 2012, Directors $52,992
- 2013, STEI Directors $26,521
- 2014BY, STEI Directors $38,900, Audit Committee $1,500
- 2015TY, STEI Directors $38,900, Audit Committee $1,500

1-Energy Probe-5

Ref: Exhibit 1, Tab 5, Schedule 3, Attachment 1

The 2013 Audited Financial Statements shows a long term interest expense of $917 321.

a) Please show how this figure has been calculated and show the components noted in Notes 11 (Promissory Note payable to City of ST. Thomas) and Note 15 (Interest Paid on Long Term Debt to Ascent Group Inc.) and any other component of the total.

b) Is the long term debt interest paid to Ascent Group ($149 952) associated with the term loan from Ascent Group? If yes, please explain how the interest rate of 3.55% results in the $149,952. If no, please explain what loan the interest cost of $149,952 is associated with.

Response:

a) Per the income statement, the line for Interest – Long Term includes the interest on the operating line in addition to interest on the long term loans. The long term loans were composed of the Note due to the City of St. Thomas ($7,714,426 per note 11), the share of the Bank of Nova Scotia Term 364 Day Term Loan ($3,500,000 per note 15 and note 9), the residual on the lease (per Note 8). Below is the components that make up the income statement line item:

Long Term Interest - Income Statement
Fiscal Year 2013

Interest Paid to City of St. Thomas	727,407
Interest Paid to Ascent Group Inc.	
- On share of LT Debt	149,952
- on share of operating loan	38,641
Interest Paid on Lease (per Note 8)	1,321
Total Interest	**917,321**

STEI believes that the external auditor did not note the $38,641 of short term interest expense in the line item because it was below their "materiality scope" for reclassifications. Note 9 to the audited financial statements identifies the entire banking agreement that was in place between the Bank of Nova Scotia and Ascent Group Inc. for the fiscal year. The $3.5 million note between Ascent Group Inc. and STEI represents the share of the $9,747,880 that is held by STEI. The pricing per the intercompany note is essentially the "pro-rata" share of the interest paid by Ascent Group Inc. on the entire $9,747,880.

b) As noted in a) above, the interest rate paid by STEI is actually based on the pro-rata share of the interest paid by Ascent Group Inc. on the entire $9,747,880 credit outstanding. This is unchanged from the 2011 Cost of Service application. As identified under Note 9 of the audited financial statements the average rate paid on the loan was 4.40%. Based on the table below, the recalculation of interest associated with $3,500,000 generates an interest expense of $153,872. This amount is not materially different than the $149,952 included on Note 15.

Interest on 364 Day Revolving Facility
Fiscal Year 2013

		Rate per Note 9	Weighted Average
Portion of Loan Fixed through Swap	5,000,000	5.20%	2.67%
Portion of Loan at floating rates	4,747,880	3.55%	1.73%
Total Loan outstanding (per Note 9)	**9,747,880**		**4.40%**
Loan outstanding to STEI	3,500,000		
Weighted average rate on loan	4.40%		
Interest per calculation	**153,872**		
Amount per Note 15	**149,952**		
Difference	**3,920**		

St. Thomas energy inc.
We're Your Local Power Distributor

File Number: EB-2014-0113

Date Filed: September 9, 2014

Tab 3 of 9

Exhibit 2

2-Energy Probe-6

Ref: Exhibit 2, Tab 1, Schedule 1

a) Is there any difference in the 2015 continuity schedule under IFRS as compared to what it would be under CGAAP with the changes in capitalization and depreciation rates adopted in 2012? If yes, please provide details.

b) Please update the 2014 continuity schedule to reflect the most recent year to date actual additions to rate base, along with a forecast for the remainder of the year. If any of these changes affect 2015, please provide an updated continuity scheduled for 2015.

c) Based on the response to part (b) please show any capital additions that have been deferred from 2014 to 2015 and any capital additions that have bene brought forward to 2014 from 2015.

d) Please confirm that the disposals shown in the 2015 continuity are all related to the removal of stranded meters. If this cannot be confirmed, please indicate what other changes are included in the disposals.

e) Please reconcile the stranded meter transfer figure of $438,774 shown on page 16 with the figures shown in the 2015 continuity schedule.

f) Please reconcile the smart meter figure of $3,627,775 on page 12 with the amount of $3,100,869 shown in the 2012 continuity schedule.

g) Please confirm that STEI does not have any fully allocated depreciation. If this cannot be confirmed, please provide the amount allocated to capital and the amount allocated to OM&A in the 2015 test year and show how this has been reflected in the depreciation expense.

Response:

a) No, there are no differences in the 2015 continuity schedules under IFRS as compared to CGAAP.

b) STEI is forecasting that the 2014BY capital expenditures are on plan. The only non-material difference may be in the GIS expenditure that may carry forward into 2015, therefore, STEI has not updated the 2014 and 2015 continuity schedules.

c) No response required.

d) STEI confirms that the disposal is for stranded meters.

e) The $438,774 is an incorrect amount that should have been corrected prior to filing.

The correct stranded meter recovery amount is $422,504. The rate rider of $422,504 is comprised of the following.

- Capital additions net of contributed capital $1,982,714 ($2,278,507 - $295,793)
- Accumulated amortization net of amortized contributed capital -$1,560,210 (- $1,690,378 + $130,168)

f) OEB Decision EB-2012-0348 approved asset transfer to rate base in the amount of $3,276,776 consisted of the following assets

	EB-2012-0348		
Asset	**Cost**	**Amortization**	**Net**
Physical meters	3,082,488	570,551	2,511,937
Computer Hardware	48,475	22,715	25,760
Computer Software	108,703	54,318	54,385
Tools & Equipment	28,110	8,433	19,677
Total	**3,267,776**	**656,017**	**2,611,759**

The $3,100,869 represents the amount of the original smart meter transfer plus additional 2012 additions as summarized in the following table.

Asset	**Cost**	**Amortization**	**Net**
Physical meters	3,082,488	570,551	2,511,937
2012 Additions	18,381	1,226	17,155
Total	**3,100,869**	**571,777**	**2,529,092**

g) STEI confirms that it has no fully allocated depreciation.

2-Energy Probe-7

Ref: Exhibit 2, Tab 1, Schedule 1 & Schedule 2

Please reconcile the figure of $3,627,775 shown in the first reference related to smart meters with the figure of $3,267,775 shown in the second reference.

Response:

STEI confirms that the correct amount is $3,267,775 as provided in pages 4 and 27 of Exhibit 2, Tab 1, Schedules 1 and 2. The $3,627,775 on page 14 is a transposition error.

2-Energy Probe-8

Ref: Exhibit 2, Tab 1, Schedule 3 & Schedule 1

a) Should the reference to the estimated NBV of stranded meters as of December 31, 2015 on the top of page 2 be 2014? If not, please explain why it is not the NBV of the stranded meters as of December 31, 2014.

b) What is the NBV of the stranded meters as of December 31, 2014?

c) STEI states that the 2015 revenue requirement does not include either a cost of capital return or depreciation expense associated with the stranded meter costs removed from rate base. However, as shown in the 2014 continuity schedules in Exhibit 2, Tab 1, Schedule 1, the stranded meters are included in the 2014 year end balances and are not removed until 2015. This means that the 2015 rate base calculation includes the stranded meters in the opening balance. Please reconcile this with the statement noted above.

Response:

a) STEI confirms that the estimated NBV of the stranded meters reference should be as of December 31, 2014.

b) The NBV of the stranded meters as at December 31, 2014 is as calculated in the rate rider $422,504 shown in Exhibit 2, Tab 1, Schedule 1 page 21.

c) The 2015 Rate Base and Revenue requirement do not include either a cost of capital return or depreciation expense as the stranded meter costs are removed as of January 1, 2015. As evident in the continuity schedule for 2015 there is no depreciation expense associated with the stranded meters.

2-Energy Probe-9

Ref: Exhibit 2, Tab 1, Schedule 6, Appendix 2-AB

a) Please provide the Plan, Actual and Variance calculations shown for 2012 excluding smart meters and the capital additions attributed to corporate restructuring.

b) Please update the columns associated with 2014 to reflect the most recent year to date additions for 2014, along with the most recent forecast for the remainder of the year.

Response:

a) The following table provides the 2012 plan to actual variance excluding smart meters and capital additions attributed to corporate restructuring.

CATEGORY	2012		
	Plan	Actual	Var
	$ '000		%
System Access	551,200	860,943	56.2%
System Renewal	978,700	1,077,181	10.1%
System Service	-	-	--
Total	1,529,900	1,938,123	126.7%
Contributed Capital	- 230,500	- 318,521	38.2%
Distribution Capital	**1,299,400**	**1,619,602**	**24.6%**
General Plant	743,500	788,663	6.1%
TOTAL	**2,042,900**	**2,408,265**	**17.9%**
Smart meter transfer	-	3,268,135	--
Restructuring	-	1,407,734	--
TOTAL EXPENDITURE	**2,042,900**	**7,084,134**	

b) As provided in response 2-6 b) STEI is forecasting that the 2014BY capital expenditures to be on plan with only a small variance in the general plant category. The following table provides the current forecast for capital expenditures in 2014 vs. the 2014BY forecast.

CATEGORY	2014		
	Plan	July Actual	Forecast
	$ '000		
System Access	200,000	136,628	200,000
System Renewal	1,600,000	425,561	1,600,000
System Service	-		
Total	**1,800,000**	**562,189**	**1,800,000**
Contributed Capital	- 100,000	- 53,489	- 100,000
Distribution Capital	**1,700,000**	**508,700**	**1,700,000**
General Plant	**728,050**	**358,122**	**699,050**
TOTAL EXPENDITURE	**2,428,050**	**866,822**	**2,399,050**

A significant amount of capital is constructed between August and December of each year. In 2013 the actual constructed capital between August and December was 100% greater than the January to July total.

2-Energy Probe-10

Ref: Exhibit 2, Tab 1, Schedule 7

This evidence indicates that commencing January 1, 2015, depreciation is calculated using the half year rule.

a) Please confirm that the use of the half year rule in 2015 applies to both regulatory and financial accounting. If not, please explain.
b) How did STEI calculate depreciation in the year an asset enters service in each of 2011 through 2014?
c) If the response to part (b) above is different than the half year rule, please show the level of depreciation based on the methodology used by STEI and using the half year rule for each of 2011 through 2014.

Response:

a) STEI confirms that the use of the half year in 2015 applies to both regulatory and financial accounting.
b) STEI calculated a full year depreciation for assets in service in each of 2011 through 2014
c) As provided in response to Board staff IR 4-28,
STEI has recalculated the amortization using the ½ year rule for the years 2012 to 2014. For the period 2012 to 2015 accumulated amortization would have been $4,947,362 or $180,676 less than the 2012 to 2015 amortization recorded in this application of $5,128,038. (The ½ year rule is not applied to transferred assets).

The 2015TY amortization of $1,208,219 is reduced by $332 under the ½ year rule to $1,207,886 for the 2015 TY

The following table summarizes the differences.

Amortization	2012	2013	2014	2015
Full year 2012 -2014, half year 2015	1,549,248	1,143,709	1,226,862	1,208,219
1/2 year 2012 to 2015	1,488,623	1,101,071	1,176,782	1,207,886
Difference	**60,625**	**42,638**	**50,081**	**332**
Cumulative difference	**60,625**	**103,263**	**153,344**	**153,676**

2-Energy Probe-11

Ref: Exhibit 2, Tab 1, Schedule 6

For each of the conversion and system upgrade projects for 2014 and 2015 please provide the most recent forecast of the in-service date.

Response:

Per Board Appendix 2-AA;

2014 material Capital Projects:

- Voltage Conversion, item 37 completed
- Voltage Conversion, item 38 completed
- Voltage Conversion, item 39 completed
- Voltage Conversion, item 40 completed
- Voltage Conversion, item 41greater than 50% in 2014, final Q2, 2015
- System Upgrade, item 42, greater than 50% in 2014, final Q1, 2015
- Voltage Conversion, item 43, completed
- Voltage Conversion, item 44, 100% Q4, 2014
- Voltage Conversion, item 45, 100% Q4, 2014

2015 Material Capital Projects:

- Voltage Conversion, item 46, Q3
- Voltage Conversion, item 47, 25% Q4, final Q2, 2016
- Voltage Conversion, item 48 Q4, 2014
- New Power Line, item 49, 25% Q4, final Q2, 2016

3-Energy Probe-12
Ref: Exhibit 3, Tab 1, Schedule 3, Attachment 1

a) Please explain why the data used to estimate the residential equation begins with 2005:04 rather than 2005:01 so that a complete year could be used.

b) Please provide the equation(s) used to generate the 20 year trend forecast of degree days shown in Table 2.4. Please provide the data used to estimate the 20 year trend in a live Excel spreadsheet.

c) What is the forecast of residential kWh's based on using the 20 year trend in degree days?

d) The residential equation coefficients shown in Table 2.1 cannot be replicated based on the spreadsheet provided. Please explain what adjustments were applied to the OLS equation, such as a correction for autocorrelation. Please provide the equation statistics before any such adjustments were made, including the statistics that lead to the adjustments.

e) Please provide the equation statistics (Table 2.1), the MAPE (Table 2.2) and the forecasts for 2014 and 2015 (Table 2.6) using an equation that includes a trend variable.

f) Please provide the equation statistics (Table 2.1), the MAPE (Table 2.2) and the forecasts for 2014 and 2015 (Table 2.6) using an equation that replaces the shoulder variable with 2 shoulder variables - one for March, April and May and one for September, October and November.

Response:

a) The first month of available data was April, 2005. The only reasonable alternative would have been a data set starting in January, 2006. It was decided that the 9 months of additional data would be beneficial.

b) Please see the attached worksheet which derives the 20 year HDD and CDD. Please note that tables 2.4, 3.3, and 4.3 have the station name labelled as London CS. In fact, London CS is one of three weather stations located on or in the immediate area of the London International Airport, and it started operation in 2002. All HDD and CDD values since its first full month of operation were taken from that station. Prior readings were sourced from the London International Airport station. Each month with source station identified is included in the attached file.

c) Based on the 20-year trend, the forecast is as follows:

Annual Actual vs. Normalized ReskWh

	ReskWh	% Change	Normalized Value	% Change
2006	114,265,333		116,616,834	
2007	119,662,288	4.7%	117,542,840	0.8%
2008	119,224,913	-0.4%	118,660,420	1.0%
2009	115,687,491	-3.0%	115,971,473	-2.3%
2010	120,380,395	4.1%	117,034,401	0.9%
2011	119,585,509	-0.7%	118,722,063	1.4%
2012	117,915,714	-1.4%	119,651,542	0.8%
2013	117,935,024	0.0%	120,193,080	0.5%
2014			121,085,584	0.7%
2015			122,064,066	0.8%

d) No adjustments were made. The regression was run with gretl 1.9.9 using the same data filed on webdrawer, and produces the results seen in the filed application.

e) Please see below:

Table 2.1 alternative

Model 1: OLS, using observations 2005:04-2013:12 (T = 105)
Dependent variable: ReskWh

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	-9.71099e+06	2.09269e+06	-4.6404	0.00001	***
HDD_Lond	3700.37	246.765	14.9955	<0.00001	***
CDD_Lond	25625.2	1647.26	15.5562	<0.00001	***
MonthDays	345045	45114.6	7.6482	<0.00001	***

Shoulder1	-832997	98068.4	-8.4940	<0.00001	***
FTE_Ont	1447.3	339.188	4.2669	0.00005	***
Trend	-2216.52	1499.44	-1.4782	0.14255	

R-squared	0.926813	Adjusted R-squared	0.922332
F(6, 98)	206.8382	P-value(F)	2.50e-53
Theil's U	0.2752	Durbin-Watson	1.864372

Table 2.2 alternative

Annual Predicted vs. Actual ReskWh

	ReskWh	Predicted Value	Absolute % Error
2005	87,613,496	89,190,397	1.8%
2006	114,265,333	115,837,210	1.4%
2007	119,662,288	118,888,283	0.6%
2008	119,224,913	118,593,331	0.5%
2009	115,687,491	112,659,485	2.6%
2010	120,380,395	118,148,755	1.9%
2011	119,585,509	119,415,402	0.1%
2012	117,915,714	119,785,409	1.6%
2013	117,935,024	119,751,892	1.5%
		Mean Absolute Percentage Error (Annual)	**1.3%**
		Mean Absolute Percentage Error (Monthly)	**2.8%**

Table 2.6 alternative

Annual Actual vs. Normalized ReskWh

	ReskWh	% Change	Normalized Value	% Change
2006	114,265,333		117,727,699	
2007	119,662,288	4.7%	118,929,678	1.0%
2008	119,224,913	-0.4%	120,270,317	1.1%
2009	115,687,491	-3.0%	116,890,005	-2.8%
2010	120,380,395	4.1%	118,269,711	1.2%
2011	119,585,509	-0.7%	120,460,337	1.9%
2012	117,915,714	-1.4%	121,556,818	0.9%
2013	117,935,024	0.0%	122,369,754	0.7%
2014			123,528,246	0.9%
2015			124,798,339	1.0%

f) Table 2.1 Restated

Model 1: OLS, using observations 2005:04-2013:12 (T = 105)
Dependent variable: ReskWh

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	-6.75865e+06	1.818e+06	-3.7176	0.00033	***
HDD_Lond	3610.42	232.063	15.5579	<0.00001	***
CDD_Lond	26325.8	1597.3	16.4815	<0.00001	***
MonthDays	384768	44850.5	8.5789	<0.00001	***
Spring	-1.0207e+06	110560	-9.2321	<0.00001	***
FTE_Ont	655.041	287.824	2.2758	0.02503	**
Fall	-681421	108503	-6.2802	<0.00001	***

R-squared	0.931696	Adjusted R-squared	0.927514
F(6, 98)	222.7943	P-value(F)	8.57e-55
Theil's U	0.26513	Durbin-Watson	2.035334

Table 2.2 Restated

Annual Predicted vs. Actual ReskWh

	ReskWh	Predicted Value	Absolute % Error
2005	87,613,496	89,458,386	2.1%
2006	114,265,333	115,641,536	1.2%
2007	119,662,288	118,347,702	1.1%
2008	119,224,913	117,806,010	1.2%
2009	115,687,491	113,760,107	1.7%
2010	120,380,395	118,982,137	1.2%
2011	119,585,509	119,333,079	0.2%
2012	117,915,714	119,728,846	1.5%
2013	117,935,024	119,212,361	1.1%
		Mean Absolute Percentage Error (Annual)	**1.3%**
		Mean Absolute Percentage Error (Monthly)	**2.7%**

Table 2.6 Restated

Annual Actual vs. Normalized ReskWh

	ReskWh	% Change	Normalized Value	% Change
2006	114,265,333		119,150,359	

2007	119,662,288	4.7%	119,694,370	0.5%
2008	119,224,913	-0.4%	120,529,741	0.7%
2009	115,687,491	-3.0%	118,771,221	-1.5%
2010	120,380,395	4.1%	119,395,672	0.5%
2011	119,585,509	-0.7%	120,387,142	0.8%
2012	117,915,714	-1.4%	121,112,007	0.6%
2013	117,935,024	0.0%	121,251,337	0.1%
2014			121,775,666	0.4%
2015			122,350,506	0.5%

1

3-Energy Probe-13
Ref: Exhibit 3, Tab 1, Schedule 3, Attachment 1

a) What is the forecast of residential kWh's based on using the 20 year trend in degree days?

b) The GS<50 equation coefficients shown in Table 3.1 cannot be replicated based on the spreadsheet provided. Please explain what adjustments were applied to the OLS equation, such as a correction for autocorrelation. Please provide the equation statistics before any such adjustments were made, including the statistics that lead to the adjustments.

c) Please provide the equation statistics (Table 3.1), the MAPE (Table 3.2) and the forecasts for 2014 and 2015 (Table 3.6) using an equation that includes a trend variable.

d) Please provide the equation statistics (Table 3.1), the MAPE (Table 3.2) and the forecasts for 2014 and 2015 (Table 3.6) using an equation that replaces the shoulder variable with 2 shoulder variables - one for March, April and May and one for September, October and November.

Response:

a) The response to this question is provided in the response to 3-Energy-Probe 12, part c). It is assumed that the question is asking for GS < 50 kWh's based on using the 20 year trend in degree days, which follows:

Annual Actual vs. Normalized GSlt50kWh

	GSlt50kWh	% Change	Normalized Value	% Change
2009	37,389,046		37,480,009	
2010	36,738,061	-1.7%	36,719,980	-2.0%
2011	36,663,871	-0.2%	36,845,699	0.3%
2012	36,260,265	-1.1%	36,191,245	-1.8%

2013	38,974,882	7.5%	38,828,631	7.3%
2014			40,668,701	4.7%
2015			41,251,580	1.4%

b) No adjustments were made. The regression was run with gretl 1.9.9 using the same data filed on webdrawer, and produces the results seen in the filed application.

c) Based on adding a trend variable, the forecast would be as follows:

Table 3.1 Restated

Model 1: OLS, using observations 2009:01-2013:12 (T = 60)
Dependent variable: GSlt50kWh

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	-9.31186e+06	1.13055e+06	-8.2366	<0.00001	***
HDD_Lond	876.461	68.8184	12.7358	<0.00001	***
CDD_Lond	4803.4	480.814	9.9901	<0.00001	***
MonthDays	77157.9	13208.3	5.8416	<0.00001	***
Shoulder1	-165058	28920.2	-5.7074	<0.00001	***
GSltCust	5820.81	635.987	9.1524	<0.00001	***
Trend	-371.419	627.781	-0.5916	0.55661	

R-squared	0.913064	Adjusted R-squared	0.903222
F(6, 53)	92.77393	P-value(F)	2.55e-26
Theil's U	0.27764	Durbin-Watson	1.733585

Table 3.2 Restated

Annual Predicted vs. Actual GSlt50kWh

	GSlt50kWh	Predicted Value	Absolute % Error
2009	37,389,046	37,076,380	0.8%
2010	36,738,061	37,033,218	0.8%
2011	36,663,871	37,012,779	1.0%
2012	36,260,265	36,129,586	0.4%
2013	38,974,882	38,774,161	0.5%
		Mean Absolute Percentage Error (Annual)	**0.7%**
		Mean Absolute Percentage Error (Monthly)	**1.9%**

Table 3.6 Restated

Annual Actual vs. Normalized GSlt50kWh

	GSlt50kWh	% Change	Normalized Value	% Change
2009	37,389,046		37,585,911	
2010	36,738,061	-1.7%	36,758,259	-2.2%
2011	36,663,871	-0.2%	36,832,832	0.2%
2012	36,260,265	-1.1%	36,111,442	-2.0%
2013	38,974,882	7.5%	38,745,685	7.3%
2014			40,566,502	4.7%
2015			41,106,741	1.3%

d) Based on replacing the shoulder variable with separate Spring (March, April, and May), and Fall (September, October, November), the forecast would be as follows:

Table 3.1 Restated

Model 1: OLS, using observations 2009:01-2013:12 (T = 60)
Dependent variable: GSlt50kWh

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	-9.14155e+06	1.09539e+06	-8.3455	<0.00001	***
HDD_Lond	873.941	69.3316	12.6052	<0.00001	***
CDD_Lond	4770.9	479.547	9.9488	<0.00001	***
MonthDays	77235.6	13388.7	5.7687	<0.00001	***
Spring	-168227	31893.1	-5.2747	<0.00001	***
GSltCust	5712.5	612.228	9.3307	<0.00001	***
Fall	-164612	33275.9	-4.9469	<0.00001	***

R-squared	0.912514	Adjusted R-squared	0.902610
F(6, 53)	92.13491	P-value(F)	3.01e-26
Theil's U	0.27646	Durbin-Watson	1.716763

Table 3.2 Restated

Annual Predicted vs. Actual GSlt50kWh

	GSlt50kWh	Predicted Value	Absolute % Error
2009	37,389,046	36,968,189	1.1%
2010	36,738,061	36,986,756	0.7%
2011	36,663,871	37,018,404	1.0%
2012	36,260,265	36,202,137	0.2%
2013	38,974,882	38,850,639	0.3%
		Mean Absolute Percentage Error (Annual)	**0.6%**
		Mean Absolute Percentage Error (Monthly)	**1.9%**

Table 3.6 Restated

Annual Actual vs. Normalized GSlt50kWh

	GSlt50kWh	% Change	Normalized Value	% Change
2009	37,389,046		37,473,774	
2010	36,738,061	-1.7%	36,714,011	-2.0%
2011	36,663,871	-0.2%	36,839,686	0.3%
2012	36,260,265	-1.1%	36,185,721	-1.8%
2013	38,974,882	7.5%	38,821,924	7.3%
2014			40,661,350	4.7%
2015			41,244,025	1.4%

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File Number: EB-2014-0113

Date Filed: September 9, 2014

Tab 4 of 9

Exhibit 3

3-Energy Probe-14
Ref: Exhibit 3, Tab 1, Schedule 3, Attachment 1

a) What is the forecast of residential kWh's based on using the 20 year trend in degree days?

b) The evidence indicates that a binary variable representing shoulder months consumption was included in the model, but Table 4.1 does not include this variable. Please explain.

c) Please provide the equation statistics (Table 4.1), the MAPE (Table 4.2) and the forecasts for 2014 and 2015 (Table 4.6) using an equation that includes a trend variable.

d) Please indicate the type of customers included in this rate class. For example, are they institutional customers such as hospitals and schools? Are there any customers that would be considered non weather sensitive?

Response:

a) The response to this question as asked is provided in the response to 3-Energy-Probe 12, part c). It is assumed that the question is asking for GS > 50 kWh's based on using the 20 year trend in degree days, which follows:

Annual Actual vs. Normalized GSgt50_kWh_excl_Customer

	GSgt50_kWh_excl_Customer	% Change	Normalized Value	% Change
2009	116,185,726		117,961,937	
2010	122,355,933	5.3%	122,525,380	3.9%
2011	122,787,902	0.4%	122,611,223	0.1%
2012	124,533,856	1.4%	122,778,482	0.1%
2013	120,022,396	-3.6%	119,388,450	-2.8%
2014			118,030,903	-1.1%
2015			118,122,940	0.1%

b) The statement regarding a binary variable representing shoulder months was in error. The model at Table 4.1 includes the variables used.

c) Based on adding a trend variable, the forecast would be as follows:

Table 4.1 Restated

Model 1: OLS, using observations 2009:01-2013:12 (T = 60)
Dependent variable: GSgt50_kWh_excl

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	4.70546e+06	930493	5.0569	<0.00001	***
HDD_Lond	465.146	197.574	2.3543	0.02230	**
CDD_Lond	8540.45	1204.34	7.0914	<0.00001	***
GSgtCust	10302.2	2635.54	3.9089	0.00027	***
PeakDays	145295	34736.8	4.1827	0.00011	***
RecessionD	-563317	150864	-3.7339	0.00046	***
Trend	5247.31	3024.43	1.7350	0.08856	*

R-squared	0.727918	Adjusted R-squared	0.697116
F(6, 53)	23.63239	P-value(F)	2.23e-13
Theil's U	0.48107	Durbin-Watson	2.151874

Table 4.2 Restated

Annual Predicted vs. Actual GSgt50_kWh_excl_Customer

	GSgt50_kWh_excl_Customer	Predicted Value	Absolute % Error
2009	116,185,726	116,269,493	0.1%
2010	122,355,933	122,454,096	0.1%
2011	122,787,902	123,094,788	0.2%
2012	124,533,856	124,249,880	0.2%
2013	120,022,396	119,817,555	0.2%
	Mean Absolute Percentage Error (Annual)		**0.2%**
	Mean Absolute Percentage Error (Monthly)		**2.2%**

Table 4.6 Restated

Annual Actual vs. Normalized GSgt50_kWh_excl_Customer

	GSgt50_kWh_excl_Customer	% Change	Normalized Value	% Change

2009	116,185,726		117,335,123	
2010	122,355,933	5.3%	121,851,820	3.8%
2011	122,787,902	0.4%	122,771,202	0.8%
2012	124,533,856	1.4%	123,703,016	0.8%
2013	120,022,396	-3.6%	119,905,072	-3.1%
2014			118,837,202	-0.9%
2015			119,716,440	0.7%

d) The GSgt50 class as of June, 2014 has 134 customers.

This customer class includes the following customer types;

- Nursing homes, 4
- Schools, 13
- Churches, 2
- Public buildings, 17
- Hospitals, 1
- Multi-unit residential, 7

The remaining customers are a combination of larger commercial and industrial. STEI is not able to ascertain which customers are non-weather sensitive.

3-Energy Probe-15
Ref: Exhibit 3, Tab 1, Schedule 4

How has STEI determined that it will target CDM savings of 1,500,000 kWh in 2015?

Response:

a) For the three year period 2011-2013 STEI achieved total energy savings of 5,520,451 kWh [not cumulative], year 1 (1,244,938.94 kWh) year 2 (1,755,803.39kWh) year 3 (2,519,708.17 kWh).

The energy savings target for STEI for the time period 2015-2020 is 18,200,000 kWh for 6 years, noting that in the new Conservation First Framework the energy savings are not cumulative through the years. The 1,500,000 kWh savings, 50% of annual OPA target, is a conservative estimate, a more reasonable number would be 2,734,000 kWh based on achievable potential.

For additional information please see VECC-18

3-Energy Probe-16

Ref: Exhibit 3, Tab 1, Schedule 6

a) Please explain why there is no interest income shown in Appendix 2-H.

b) Please provide the actual interest income in each of 2011 through 2013, excluding any interest income or expense associated with regulatory accounts.

c) Please show the calculation of the standard supply service revenue of $37,410 shown for 2015 based on the standard charge and the forecasted number of SSS customers .

Response:

a) The bottom section of Appendix 2-H was inadvertently not included in this exhibit. See response to part b) below.

b) The Account 4405 summary as included in Board Appendix 2-H is provided below that includes RSVA interest.

Account 4405 - Interest and Dividend Income

		2011 Actual	2011 Actual	2012 Actual	2013 Actual[2]	Bridge Year[3] 2014	Bridge Year[3] 2014	Test Year 2015
Reporting Basis		CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Short-term Investment Interest		$ -						
Bank Deposit Interest		$ 6,859	$ 6,859	$ 5,155	$ 4,423	$ 4,000	$ 4,000	$ 4,000
Miscellaneous Interest Revenue - RSVA		$ 64,512	$ 64,512	$ 77,957	$ 43,060	$ 31,000	$ 31,000	$ 31,000
etc.[1]		$ -	$ -	$ -	$ -		$ -	
Total		$ 71,371	$ 71,371	$ 83,112	$ 47,483	$ 35,000	$ 35,000	$ 35,000

c) The 2015TY SSS revenue is based upon the forecasted numbers shown in the table below. The 2015 SSS revenue reflects changing the street light class from a per connection fee to a customer fee.

STANDARD SUPPLY SERVICE REVENUE 2015TY

	Customers Count	year 12	rate 0.25
Residential	10,900	130,800	32,700
GS < 50	1,424	17,088	4,272
GS > 50	100	1,200	300
Street Light	1	12	3
Sentinel Light	45	540	135
Totals	**12,470**	**149,640**	**37,410**

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3-Energy Probe-17

Ref: Exhibit 3, Tab 1, Schedule 6

Account 4375 includes the revenues associated with water and sewer billing and collecting and other affiliate revenues.

a) Why are there no costs shown in account 4380?
b) Are there costs associated with revenues generated in account 4375 included in the OM&A expenses?
c) Please provide the actual and forecasted costs associated with the revenues in account 4375 in each of 2011 through 2015.
d) Please explain the large figures in account 4375 in 2012 and 2013. In particular, what is this increase in revenue associated with?

Response:

a) The costs for Account 4380 were included in the line 'Other Income or Deductions; and was not specifically identified in the summary table of Other Operating Revenues. A revised table is provided below that provides includes a specific reference to account 4380.

Other Operating Revenue

USoA #	USoA Description	2011 Approved	2011 Actual	2011 Actual	2012 Actual	2013 Actual[2]	ridge Yea 2014	Bridge Year[3] 2014	Test Year 2015
	Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
4080	Standard Supply Service	$ 33,130	$ 48,039	$ 48,039	$ 57,834	$ 58,337		$ 50,000	$ 37,410
4082	Retail Services Revenues	$ 37,386	$ 31,980	$ 31,980	$ 27,269	$ 25,111		$ 29,252	$ 29,245
4084	STR Processing	$ 967	$ 898	$ 898	$ 696	$ 631		$ 746	$ 746
4210	Rent from Electric Property	$305,058	$ 312,994	$ 312,994	$ 77,313	$ 34,074		$ 30,000	$ 29,994
4220	Other Electric Revenues	$ 69,935	$ 69,935	$ 69,935	$ 70,135	$ 69,935		$ 65,000	$ 65,000
4225	Late Payment Charges	$138,817	$ 122,874	$ 122,874	$ 118,049	$ 130,857		$ 120,000	$120,000
4235	Specific Service Charges	$163,834	$ 147,745	$ 147,745	$ 165,278	$ 168,396		$ 149,000	$149,000
4355	Gain on Disposal		$ -	$ -					
4375	Revenues from Non Rate-Regulated Utility Operations	$ 58,374	$ 343,085	$ 343,085	$1,064,456	$ 1,458,239		$ 342,000	$329,000
4380	Expenses from Non Rate-Regulated Utility Operations	-$ 39,559	-$ 200,025	-$ 200,025	-$ 938,565	-$ 1,124,369		-$ 292,256	-$299,351
4390	Miscellaneous Non-Operating Income	$ 41,000	$ 41,000	$ 41,000	$ 71,848	$ 129,922		$ 60,000	$ -
Specific Service Charges		$163,834	$ 147,745	$ 147,745	$ 165,278	$ 168,396	$ -	$ 149,000	$149,000
Late Payment Charges		$138,817	$ 122,874	$ 122,874	$ 118,049	$ 130,857	$ -	$ 120,000	$120,000
Other Operating Revenues		$545,850	$ 847,932	$ 847,932	$1,369,551	$ 1,776,249	$ -	$ 576,998	$491,395
Other Income or Deductions		-$ 39,559	-$ 200,025	-$ 200,025	-$ 938,565	-$ 1,124,369		-$ 292,256	-$299,351
Total		$808,942	$ 918,526	$ 918,526	$ 714,313	$ 951,133	$ -	$ 553,742	$461,044

b) No the costs associated with account 4380 have not been included in OM&A expense, they have been netted off against other revenues per the revised table in response to response a) above.

c) The forecasted expenses associated with the account 4375 revenues have been included in the table provided in response to a) above.

d) The increase associated with the 2012 and 2013 4375 revenue is as follows:

   a. The 2012 increase is mainly attributed to the revenues that were included in the restructuring.
      i. CDM revenue $536,372,
      ii. Water and sewer $329,945

   b. The 2013 increase is attributed to the same factors
      i. CDM revenue $699,184
      ii. Water and sewer $337,317

3-Energy Probe-18

Ref: Exhibit 3, Tab 1, Schedule 6

Please provide the most recent year to date actuals for 2014 in the same level of detail as found in Table 3-17. Please also provide the figures for the corresponding period in 2013.

Response:

The July 31, 2013 and 2014 Other Operating Revenue is provided in the following table

Other Operating Revenue

		2013	2014
		July 31	July 31
4080	Standard Supply Service	$ 33,809	$ 34,453
4082	Retail Services Revenues	$ 14,781	$ 13,894
4084	STR Processing	$ 421	$ 329
4210	Rent from Electric Property	$ -	$ 5,000
4220	Other Electric Revenues	$ -	$ -
4225	Late Payment Charges	$ 75,777	$ 77,018
4235	Specific Service Charges	$ 90,048	$ 92,703
4355	Gain on Disposal	$ -	$ -
4375	Revenues from Non Rate-Regulated Utility Operations	$ 798,363	$ 709,238
4380	Expenses from Non Rate-Regulated Utility Operations	-$ 666,135	-$ 582,309
4390	Miscellaneous Non-Operating Income	$ 79,283	$ 32,082
Specific Service Charges		$ 90,048	$ 92,703
Late Payment Charges		$ 75,777	$ 77,018
Other Operating Revenues		$ 926,657	$ 794,996
Other Income or Deductions		-$ 666,135	-$ 582,309
Total		$ 426,347	$ 382,408

4405	Interest and Dividend Income	23,548	19,800

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Exhibit 4

4-Energy Probe-19

Ref: Exhibit 4, Tab 1, Schedule 2

Please show the derivation of the 2.1% inflation factor used for 2014 and 2015 based on the projected inflation figures used for labour and non-labour purchases, including the weighting of the two factors.

Response:

The 2.1% inflation was a combination of a labour and benefit increase of approximately 2.5% and general inflation increase of approximately 1.7%.

Based upon a review of STEI's cost structure it was determined that labour and benefits, (excluding retiree costs) represent 50% of total operating costs. STEI's collective agreement expired on May 1, 2014. Per Exhibit 4, tab 1, Schedule 4, pate 2, the expiring contract included wage increases of 2% each May 1 and 1% each December 1. For the 2015TY it was assumed that management labour and benefit increases would be 2.5%.

The general inflation increase was based upon STEI's 2014 IRM EB-2013-0171 inflation factor of 1.7%. This was reviewed and compared to the OPSEU Ontario CPI Percentage Change the rate appeared reasonable.

Ontario CPI Percentage Change
From the Same Month a Year Previous

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2014	1.6	1.5	1.5	2.4	2.8	3.0							2.1

Total Inflation factor of 2.1% = Labour 50% of 2.50% plus General Inflation 50% of 1.7%

4-Energy Probe-20

Ref: Exhibit 4, Tab 1, Schedule 2

At the bottom of page 6, the evidence indicates that Appendix 2-JA excludes property taxes. However, the 2015 figure of $4,634,620 in Appendix 2-JA is the sum of the OM&A expenses and property taxes are shown in the RRWF. Please reconcile.

Response:

The evidence should state that Appendix 2-JA includes property taxes.

4-Energy Probe-21

Ref: Exhibit 4, Tab 1, Schedule 2

Please provide the most recent year to date actual expenses in the same level of detail as found in Appendix 2-JA. Please also provide the figures for the corresponding period in 2013.

Response:

Appendix 2-JA with July 31, 2013 and 2014 actual expenses is provided below.

Appendix 2-JA
Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2011 Board-Approved)	Last Rebasing Year (2011 Actuals)	2012 Actuals	2013 Actuals	2013 July 31	2014 July 31	2014 Bridge Year	2015 Test Year
Reporting Basis								
Operations	$ 493,406	$ 558,853	$ 958,213	$ 868,543	$ 570,763	$ 523,528	$ 925,270	$ 977,701
Maintenance	$ 423,276	$ 364,438	$ 324,575	$ 274,855	$ 170,547	$ 162,372	$ 333,832	$ 340,842
SubTotal	**$ 916,682**	**$ 923,291**	**$ 1,282,788**	**$ 1,143,398**	**$ 741,310**	**$ 685,900**	**$ 1,259,102**	**$ 1,318,543**
%Change (year over year)			38.9%	-10.9%	-35.2%	-7.5%	10.1%	4.7%
%Change (Test Year vs Last Rebasing Year - Actual)								42.8%
Billing and Collecting	$ 1,133,130	$ 982,501	$ 1,039,175	$ 869,044	$ 468,028	$ 561,864	$ 938,833	$ 965,058
Community Relations	$ 19,513	$ 2,684	$ 32,390	$ -	$ -	$ -	$ -	$ -
Administrative and General	$ 1,502,109	$ 1,832,734	$ 2,691,486	$ 1,998,931	$ 1,227,981	$ 1,310,969	$ 2,259,284	$ 2,351,019
SubTotal	**$ 2,654,752**	**$ 2,817,919**	**$ 3,763,051**	**$ 2,867,975**	**$ 1,696,009**	**$ 1,872,833**	**$ 3,198,117**	**$ 3,316,077**
%Change (year over year)			33.5%	-23.8%	-40.9%	10.4%	11.5%	3.7%
%Change (Test Year vs Last Rebasing Year - Actual)								17.7%
Total	**$ 3,571,434**	**$ 3,741,210**	**$ 5,045,839**	**$ 4,011,373**	**$ 2,437,319**	**$ 2,558,733**	**$ 4,457,219**	**$ 4,634,620**
%Change (year over year)			34.9%	-20.5%			11.1%	4.0%

	Last Rebasing Year (2011 Board-Approved)	Last Rebasing Year (2011 Actuals)	2012 Actuals	2013 Actuals	2013 July 31	2014 July 31	2014 Bridge Year	2015 Test Year
Operations	$ 493,406	$ 558,853	$ 958,213	$ 868,543	$ 570,763	$ 523,528	$ 925,270	$ 977,701
Maintenance	$ 423,276	$ 364,438	$ 324,575	$ 274,855	$ 170,547	$ 162,372	$ 333,832	$ 340,842
Billing and Collecting	$ 1,133,130	$ 982,501	$ 1,039,175	$ 869,044	$ 468,028	$ 561,864	$ 938,833	$ 965,058
Community Relations	$ 19,513	$ 2,684	$ 32,390	$ -	$ -	$ -	$ -	$ -
Administrative and General	$ 1,502,109	$ 1,832,734	$ 2,691,486	$ 1,998,931	$ 1,227,981	$ 1,310,969	$ 2,259,284	$ 2,351,019
Total	**$ 3,571,434**	**$ 3,741,210**	**$ 5,045,839**	**$ 4,011,373**	**$ 2,437,319**	**$ 2,558,733**	**$ 4,457,219**	**$ 4,634,620**
%Change (year over year)			34.9%	-20.5%			11.1%	4.0%

4-Energy Probe-22

Ref: Exhibit 4, Tab 1, Schedule 4

Please provide a table that shows the actual amount of performance pay for each of 2012 and 2013 and the forecast for 2014 and 2015. Please also provide the total potential performance pay in each of these years based on achieving all of the corporate and personal goals. Please also include a line that shows the percentage of actual performance pay to potential performance pay.

Response:

The following table provides the actual performance pay for 2012 and 2013, the budgeted 2014BY and 2015TY

Performance Pay Summary

	2012	2013	2014	2015
Actual	-	58,507	80,445	83,711
Potential	-	58,507	100,556	104,639
Payout %	**0%**	**100%**	**80%**	**80%**

The 2012 performance pay program was suspended till the new AGI President and CEO had an opportunity to review with the Board of Directors.

4-Energy Probe-23

Ref: Exhibit 4, Tab 1, Schedule 5

a) Please explain why it is appropriate to allocate shared costs such as postage on an incremental basis rather than on a fully allocated basis.

b) Please provide the total shared costs that are paid for entirely by STEI rather than being partially allocated to affiliates in 2015.

Response:

a) STEI believes that it is appropriate to allocate postage cost on an incremental basis as there are no additional costs incurred by STEI by including water and sewer on an invoice that is already being mailed out. Conversely, if the postage was allocated on a shared costs basis and the City choose to move the service to another provider STEI would be left financing the increased postage costs that have not been included in rate base.

b) The costs included in the 2015TY that STEI is paying for are; postage, envelopes, bill print and Neo Post is $141,100.

STEI recovers $35,400 from the City of St. Thomas for the above noted costs, which would total $176,500.

4-Energy Probe-24

Ref: Exhibit 4, Tab 1, Schedule 5

If STEI were to reverse the agreement associated with water and sewer billing and the City of St. Thomas provided billing and collecting services to STEI please discuss of the following:

a) By the City providing these services STEI would still be able to share costs and increase efficiency and effectiveness. If not, please explain.
b) Would there be any impact on STEI costs of continuing to recover 100% of third party costs?
c) Would there be any change in the allocation of staffing costs based upon the time study noted?
d) What would be the impact on STEI if shared costs such as postage were not charged by the City to STEI as the joint bill does not increase the City's costs in these areas and there would be no cost reduction if the City was not billing for the electricity service?

Response:

a) through d) STEI is not able to respond to question 4-24 due to the many hypothetical assumptions in the questions that would have to be modeled that would result in a response that would be caveated to the extent that it would not be useful

4-Energy Probe-25

Ref: Exhibit 4, Tab 1, Schedule 5

With respect to the corporate cost allocation tables shown for 2014 and 2015:

a) Please explain the reduction of 50% in revenues from AESI from $70,000 to $35,000 for labour and equipment support.
b) What is the $70,000 charge from AESI to STEI in both 2014 and 2015 related to?
c) Are any debt expenses incurred from water and sewer bills included in the revenue requirement for 2015 or in the OM&A or in account 4375? If yes, please provide the amount for each of 2012 through 2015.

Responses:

a) The reduction is attributed to the fact that AESI has additional resources at its disposal so there is a lower reliance on STEI. STEI is committed to ensuring that internal resources are available to achieve the capital expenditures identified in the DS Plan.
b) The $70,000 charge from AESI is for locates, meter and layout services.
c) There are no bad debt expenses incurred from the water and sewer bills included in the revenue requirement.

4-Energy Probe-26

Ref: Exhibit 4, Tab 1, Schedule 5, Attachment 1

What is the basis, at page 13, for the statement that the services performed by STEI on behalf of the City for water and sewer billing and collections should be based on an incremental basis?

Response:

a) As provided in response to 23-a), STEI believes that it is appropriate to allocate some costs on an incremental basis as there are no additional costs incurred by STEI by including water and sewer on an invoice that is already being mailed out. Conversely, if the postage was allocated on a shared costs basis and the City choose to move the service to another provider STEI would be left financing the increased postage costs.

It is important to note that as provided in Exhibit 1, Tab 1 Schedule 21 Page 1, labour cost, the largest expenditure, is based upon a time study and the City is allocated 50% of staffing costs.

As a reminder, the City pays 100% for all water and sewer costs related to residents within the Hydro One service territory. Therefore, the Service Level Agreement is a hybrid of incremental, allocated and direct costing.

4-Energy Probe-27

Ref: Exhibit 4, Tab 1, Schedule 4, Attachment 1

Page 16 of the report appears to show that the corporate, finance and governance costs are allocated between STEI and AESI based on revenues.

a) Please provide the source of the STEI revenue figure of $8,499,437 and reconcile this figure with the total revenue requirement of STEI of $7,962,742 shown in the RRWF.
b) Please explain why none of the costs associated with corporate, finance and governance appears to have been allocated to AGI.
c) Has any time analysis been done for the positions that provide service to more than one entity? If not, why not?

Response:

a) The $8,499,437 represents STEI 2012 net revenues, excluding cost of power. This amount is $536,695 greater than the 2015 RRFW amount of $7,962,743 and is primarily related to CDM recoveries of $536,372.

b) Ascent Group Inc. (AGI) is the holding company that incurs all corporate costs and allocates these costs to and receives its revenues from STEI and AESI.

c) No time study was performed, the independent consultants determined revenues to be the most appropriate allocation and based upon this allocation STEI would receive approximately 27.6% of corporate costs. The allocation is actually a hybrid approach whereby some allocations were reduced based upon managements best estimate of labour estimate which reduced the allocated costs to 20.1%

4-Energy Probe-28

Ref: Exhibit 4, Tab 1, Schedule 4

Does Appendix 2-K reflect the partial allocation to STEI of the CEO, CFO, COO, executive assistance, etc. that are noted in the Cost Driver Study for St. Thomas Energy Inc. at Attachment 1 of Exhibit 4, Tab 1, Schedule 5? In particular, does it reflect only partial FTE's and their corresponding partial salary, wages and benefits?

Response:

No, Appendix 2-K reflects 100% of STEI staff including STEI's President and COO. The CEO, CFO, etc. are embedded within the $450,000 AGI annual fee.

4-Energy Probe-29

Ref: Exhibit 4, Tab 1, Schedule 8 & Exhibit 4, Tab 1, Schedule 2

Appendix 2-M shows $80,000 in 2013 costs and $350,000 in 2014 costs associated with the cost of service application in this proceeding. Are these costs included in the 2013 and/or 2014 figures shown in Appendix 2-JA in Exhibit 4, Tab 1, Schedule 2?

Response:

No, the costs associated with this cost of service application have not been expensed and have been recorded as a prepaid expense. STEI's external auditors have accepted that a common practice is to record the expense on the balance sheet and expense the amount over the COS period, matching the expense with the revenue.

The regulatory costs component within 2-JA for 2013 and 2014 reflect regulatory costs associated with the 2011 COS application and additional regulatory costs incurred for those years.

4-Energy Probe-31

Ref: Exhibit 4, Tab 1, Schedule 11

The evidence states that STEI's amortization policy has been to record a full year of depreciation expense on capital additions during the year that the asset was placed into service.

a) Have the rate base figures used for 2011 through 2014 been based on the full year of depreciation or the half year rule for capital additions during the year?
b) If the response to part (a) is that it is based on the half year being used for 2011 through 2014, does this mean that STEI has two sets of accounting figures for PP&E- one for financial reporting purposes and one for regulatory purposes?

Response:

a) The rate base figures for the years 2011 through 2014 are based upon a full year of depreciation.
b) No response required, as 2011 through 2014 was not based upon the half year rule.

4-Energy Probe-32

Ref: Exhibit 4, Tab 1, Schedule 12, Attachment 3 & Exhibit 2, Tab 1, Schedule 1

The 2015 CCA schedule does not match the composition of the additions shown in the fixed asset continuity schedule.

a) Please explain the $215,000 added to CCA class 8, when the continuity schedule shows the total should be $90,000.
b) Please explain why there is no addition to CCA Class 10 for transportation equipment shown in the continuity schedule of $125,000.
c) Please explain the $85,000 added to CCA Class 10 when this amount is shown as computer hardware in the continuity schedule which should be added to CCA class 50.

Response:

In response to questions a) through c), STEI continuity schedules were intended to ensure the asset amortization was calculated correctly. STEI's external tax preparers assisted in the preparation of the PIL model with the associated CCA classes. STEI will review in conjunction with any other adjustments that may arise prior to a settlement conference.

4-Energy Probe-33

Ref: Exhibit 4, Tab 1, Schedule 12, Attachment 3 & Exhibit 2, Tab 1, Schedule 1

The 2014 CCA schedule does not match the composition of the additions shown in the fixed asset continuity schedule.

a) Please explain why the $19,500 shown in the continuity schedule for computer hardware has been included in CCA class 10 rather than class 50.
b) Please explain why the $28,000 shown in the continuity schedule for tools has been included in CCA class 10 rather than class 8.

Response:

In response to questions a) and b), STEI continuity schedules were intended to ensure the asset amortization was calculated correctly. STEI's external tax preparers assisted in the preparation of the PIL model with the associated CCA classes. STEI will review in conjunction with any other adjustments that may arise prior to a settlement conference.

4-Energy Probe-34

Ref: Exhibit 4, Tab 1, Schedule 12, Attachments 1 & 3

Please explain why the historic year UCC shown in the Attachment 3 of $28,187,172 is less than the corresponding figure in Schedule 8 in Attachment 1 of $28,743,552.

Response:

The UCC amount of $28,172,172 is consistent with the 2013 tax returns that have been provided in response to Board staff IR 4-30. The $28,743,552 in schedule 8 of Attachment 1 is the 2012 year ending ending balance.

4-Energy Probe-35

Ref: Exhibit 4, Tab 1, Schedule 12, Attachment 3

Please provide update CCA schedules for the historic, bridge and test years based on any changes as a result of the previous three interrogatories.

Response:

As STEI is not forecasting any material changes to its 2014 and 2015 capital expenditures therefore no updated to the CCA schedules is required.

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Exhibit 5

5-Energy Probe-36

Ref: Exhibit 4, Tab 1, Schedule 12, Attachment 3 & Exhibit 4, Tab 1, Schedule 4

It does not appear that STEI is claiming any Ontario Co-op Education tax credits in 2015.

a) Please provide the amount of this tax credit claimed in each of 2012 and 2013, and the forecast for 2014.
b) Please explain why no co-op credit has been claimed in 2015 despite showing co-op and summer help in Table 4-7 in Exhibit 4, Tab 1, Schedule 4.

Response:

a) STEI claimed $10,000 of Ontario Apprenticeship training tax credit in 2013. There are no amounts forecasted for 2014 and there were none recovered in 2012.
b) Table 4-7 in Exhibit 1, Tab 1, Schedule 4 should read temporary labour as opposed to co-op and summer help.

5-Energy Probe-37

Ref: Exhibit 5, Tab 1, Schedule 2

a) Does SREI propose to update the short term and long term debt rates when new rates are made available by the Board prior to the decision in this application, as it proposes to do with the return on equity?

b) Does STEI have any other debt that would be classified as long term, other than the promissory note due to the City of St. Thomas?

Response:

a) STEI does plan to update the short term and long term debt rates when the new rates are made available along with the return on equity.

b) As per the balance sheet, STEI plans there is $3,500,000 in long term debt with Ascent Group Inc. As documented on response to 1-Energy Probe-5**,** this long term loan mirrors the long term loan that Ascent Group Inc. currently has with Bank of Nova Scotia. The regulatory accounts and the employee retirement benefit liability are also long term debts but are not specifically “debt facilities”.

5-Energy Probe-38

Ref: Exhibit 5, Tab 1, Schedule 2

The promissory note due to the City of St. Thomas is schedule to mature in the test year.

Has STEI looked at replacing this promissory note with third party financing? If not, why not? If yes, please provide details including rates available for different terms.

Response:

STEI has been monitoring the potential opportunity regarding the third party financing to take out the promissory note due to the City of St. Thomas. Currently STEI believes that it will likely renew the promissory note with the City of St. Thomas. The reason to continue with the promissory note is to continue to allow flexibility with the capital structure for STEI. The promissory note is unsecured and subordinated to a senior lender. If STEI was to replace this debt with third party debt then the overall risk profile for STEI will increase which may result in an increase in the overall interest rate for STEI.

As per STEI response to 5-Energy Probe-38, STEI is currently "under leveraged" as it is using approximately $6,416,700 in equity to finance the Distributable Assets of STEI when only earning the cost of debt to support this equity in the capital structure. Quite likely, if the proportion of debt were increased to finance the 56% of the Distributable Assets of STEI, it is possible that the interest rate paid for the all the debt could be higher than the rates issued by the Board.

5-Energy Probe-39

Ref: Exhibit 5, Tab 1, Schedule 2

a) The evidence states that STEI has used the Board approved rate of 4.88% for all long term debt. Other than the note payable to the City of St. Thomas, what other debt instruments does STEI have in place?

b) Please provide a table that shows the deemed long term debt in 2015, the amount outstanding for the note payable to the City of St. Thomas and any other debt instrument that is currently in place.

Response:

a) As noted in response to 5-Energy Probe-37, there is the long term loan with Ascent Group Inc. which mirrors the Bank of Nova Scotia terms for the debt instrument provided to Ascent Group Inc. As noted in 5.0 – VECC – 31, the Board interest rate requested is quite reasonable when compared to the current level of financing being paid (or return needed to be made).

b) Following is the table provided in Board Appendix 2-OB

Year 2015

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal ($)	Rate (%) (Note 2)	Interest ($) (Note 1)	Additional Comments, if any
1	Promisory Note Mat	City of St. Thomas	Affiliated	Fixed Rate	15-Nov-10	6	$ 7,714,426	9.0%	$ 606,797.73	319 days
	Promisory Note	City of St. Thomas	Affiliated	Fixed Rate	15-Nov-15	6	$ 7,714,426	5.0%	$ 48,611.45	46 days
2	Term Loan - Revolvir	Bank of Nova Scot	Third-Party	Variable Rate		2	$ 3,500,000	5.0%	$ 175,000.00	
3									$ -	
11									$ -	
12									$ -	
Total							$ 11,214,426	7.40%	$ 830,409.18	

As noted in 5.0 – VECC – 31, this table infers that the difference between 56% of the Distributable assets and the total principal amount per the table is currently being financed with equity.

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Exhibit 6

6-Energy Probe-40

Ref: Exhibit 6, Tab 1, Schedule 1

a) Please provide an updated Table 6-1 and a live version of the RRWF to reflect any updates, changes or corrections that STEI accepts as a result of the interrogatory process, including the correction to the cost of power calculation noted in the evidence.

b) Please provide a tracking sheet that demonstrates the changes in the revenue deficiency for each individual item changed.

Response:

a) STEI will provide a live version of the RRWF prior to the Settlement Conference including all updates that have been identified. STEI acknowledged in its original application that the cost of power calculation needs to be revised. STEI will update this and any other adjustments prior to the Settlement Conference

b) STEI will provide a tracking sheet that demonstrates the changes in revenue deficiency for each individual item once they have been agreed to.

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Exhibit 7

7-Energy Probe-41

Ref: Exhibit 7, Tab 1, Schedule 3

Please provide a revised version of Table 7-4 where only the revenue to cost ratio that is increased to offset the reduction in the sentinel lighting ratio is the GS>50 class, rather than spreading the increase across the GS<50, GS>50 and streetlighting classes.

Response:

Please see the following table

Class	Previously Approved Ratio	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2011	(7C + 7E) / 7A	(7D + 7E) / 7A	
	%	%	%	%
Residential	108.62	103.63	103.63	85 - 115
GS<50 kW	101.31	98.59	98.59	80 - 120
GS> 50 kW - Regular	93.40	88.71	88.79	80 - 120
Street Lighting	11.47	95.24	95.24	70 - 120
Sentinel Lighting	32.98	153.13	120.00	80 - 120

St. Thomas energy inc.
We're Your Local Power Distributor

File Number: EB-2014-0113

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Tab 9 of 9

Exhibit 8

8-Energy Probe-42
Ref: Exhibit 8, Tab 1, Schedule 8

Appendix 2-R appears to have a number of inconsistencies. For example, the 5 year average in line B is equal to the 2009 figure despite no figures for the other years and the five year average in line G is 1.0175, which is less than the 5 years shown. Please provide a corrected version of the table.

Response:

Please see the response to VECC 8-37. Part b) addresses the issues on lines B and G. A corrected table is supplied with the response to that question.