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# Administration

## Ex.1/Tab 1/Sch.1 - Legal Application

In the matter of; the Ontario Energy Board Act, 1998;S.O. 1998, c.15, Schedule B, as amended; and in the matter of; an Application by Wasaga Distribution Inc. ("WDI") for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1, 2016.

Wasaga Distribution Inc. (or the "Company" or the "Applicant") is a distributor of electricity pursuant to a distribution license ED-2002-0544 issued by the Ontario Energy Board (the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

Wasaga Distribution Inc. hereby applies to the Board pursuant to Section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1, 2016. WDI accordingly applies to the Board for the following Order or Orders:

- An Order approving WDI's proposed distribution rates for the 2016 rate year, or such other rates as the Board may find to be just and reasonable, as the final rates effective May 1, 2016;
- an Order approving clearance of the balances recorded in certain deferral and variance accounts by means of rate riders effective May 1, 2016 for the 2016 rate year;

## Ex.1/Tab 1/Sch.2 – Contact Information

Application contact information is as follows:

Main Contact:

Joanne Tackaberry, CPA, CGA, Director of Finance
Wasaga Distribution Inc.
950 River Road West,
Wasaga Beach, ON, L9Z 1A2
Phone: 705-429-2517

Alternate Contact:

Brandon Weiss, CPA, CMA, Senior Financial Accountant
Wasaga Distribution Inc.
950 River Road West,
Wasaga Beach, ON, L9Z 1A2
Phone: 705-429-2517

Application legal contact information is as follows:

James Sidlofsky, Partner
Borden Ladner Gervais LLP
Scotia Plaza, 40 King Street West,
Toronto, ON, M5H 3Y4
Phone: 416-367-6277

# Ex.1/Tab 1/Sch.3 - List of Specific Approvals Requested

In this proceeding, WDI is requesting the following approvals:

- Approval to charge distribution rates effective May 1, 2016 to recover a base revenue requirement of $4,140,121. This includes revenue deficiency of $491,503 as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
- Approval of the Distribution System Plan as outlined in Exhibit 2.
- Approval of revised Low Voltage Rates as proposed and described in Exhibit 8.
- Approval to adjust the Retail Transmission Rates – Network and Connection as detailed in Exhibit 8.
- Approval to continue to charge Wholesale Market and Rural Rate Protection charges approved in The Board Decision and Order in the matter of WDI's 2015 distribution rates (EB-2014-0118).
- Approval to continue the specific service charges and transformer allowance approved in The Board Decision and Order in the matter of WDI's 2015 distribution rates (EB-2014-0118)
- Approval to adjust MicroFIT monthly service charge from $5.40 to $10.00 as detailed in Exhibit 3.
- Approval of the proposed Loss Factor as detailed in Exhibit 8.
- Approval of the Rate Riders of a one year disposition of the group 1 Deferral and Variance accounts as detailed in Exhibit 9.
- Approval of the Rate Riders for a one year disposition of the Loss Revenue Adjustment Mechanism variance account ("LRAMVA") for lost revenue from 2011-2013 resulting from 2011-2013 IESO (formally OPA") programs as detailed in Exhibit 4.

**Proposed Effective Date of Rate Order**

- The Applicant requests that the OEB makes its rate order effective May 1, 2016 in accordance with the Filing Requirements.
- In the event that the OEB is unable to provide a Decision and Order in this application for implementation by the applicant as of May 1, 2016, the Applicant requests that the OEB declare its current rates interim, effective May 1, 2016, pending the implementation of the OEB Rate Order for the 2016 rate year.

**Form of Hearing** the Applicant requests that this application be disposed of by way of a written hearing.

**Certification**

I, Joanne Tackaberry, Director of Finance of Wasaga Distribution Inc. certify that the evidence filed is accurate, consistent, and complete to the best of my knowledge.

_____

Joanne Tackaberry, CPA, CGA
Director of Finance

# Ex.1/Tab 1/Sch.4 – Confirmation of Internet Address

WDI's website address is www.wasagadist.ca

# Ex.1/Tab 1/Sch.5 – Statement of Publication

All of WDI's customers may be affected by this application.

WDI is suggesting that notification should be published in the local community not-paid-for newspaper which has the highest circulation in its service area namely; the Wasaga Sun.

**Bill Impacts for Publication:**

Table: 1.1 below provides a list of the distribution charges bill impacts applicable to the typical usage of a Residential and GS < 50 kW customer to be used for the publication notice. Bill impacts for all customer classes can be found at Exhibit 8/Tab 1/Sch.14.

**Table: 1.1 – Bill Impacts on Distribution Charges**

| Customer Class | 2015 Distribution Charge | 2016 Proposed Distribution Charge | Dollar Change | % Change |
|---|---|---|---|---|
| Residential (800 kWh) | $23.12 | $25.37 | $2.25 | 9.72% |
| GS<50 (2,000 kWh) | $40.94 | $47.05 | $6.11 | 14.94% |

# Ex.1/Tab 1/Sch.6 - Statement of Deviation of Filing Requirements

Except where specifically identified in the Application, WDI followed Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications", dated July 16, 2015 (the "Filing Requirements") in order to prepare this application.

## Ex.1/Tab 1/Sch.7 – Changes in Methodologies

The pro-forma projections for the 2016 test year were prepared in accordance with WDI's usual process with the following exceptions:

- Rates for Distribution and Sales of Electricity are assumed to be constant for the entire 2016 Test Year, and
- Regulatory Costs have been normalized over the five year application period.

## Ex.1/Tab 1/Sch.8 - Board Directive from Previous Decisions

The Board did not issue specific directives in previous decisions.

## Ex.1/Tab 1/Sch.9 - Conditions of Service

WDI's conditions of services are found at www.wasagadist.ca

# Ex.1/Tab 1/Sch.10 - Accounting Standards for Regulatory and Financial Reporting

The useful lives proposed by WDI in this Application are consistent with the useful lives in the Kinectrics Report commissioned by the OEB dated July 8, 2010. WDI accounting methodology change in this regard took effect January 1, 2012 and was approved during WDI's 2012 COS (EB-2011-0103)

WDI attests that it does not and will continue not to capitalize administration and other general overhead costs no longer permitted under IFRS, as clarified by the Board in its letter dated February 24, 2010. WDI understands the need for comparability between distribution utilities. WDI has also adopted the various account changes prescribed by the Board in relation to the USoA (Article 210 – Chart of Accounts and Account 220 – Account Descriptions).

Consistent with recent applications to the Board, WDI no longer includes PST in its OM&A cost estimates.

Regulatory costs and the incremental one-time cost have been normalized by allocating one fifth of that total to the 2016 Test Year.

WDI is not proposing other changes in methodology.

# Ex.1/Tab 1/Sch.11 - Accounting Treatment of Non-Utility Related Business

WDI is engaged in the delivery of the IESO's Conservation and Demand Management Programs. The accounting for these activities is segregated from WDI's rate regulated activities in accordance with the Board's Accounting Procedures Handbook for Electricity Distributors.

# Applicant Overview

## Ex.1/Tab 2/Sch.1 – Applicant Overview

WDI is incorporated under the Ontario Business Corporations Act, and is 100% owned by the Town of Wasaga Beach. WDI is managed by a Board of Directors appointed by the Town of Wasaga Beach. WDI is a virtual utility and thus has no employees.

WDI's service area is completely contained within the municipal boundaries of the Town of Wasaga Beach. The area is embedded within the Hydro One Networks Inc. A map of the service area served by WDI is found in Figure 1.1.

The following is the list of WDI's neighbouring utilities:

| | | | |
|---|---|---|---|
| UTILITY NAME: | Hydro One Networks | Direct line: | 416-345-5000/1-877-955-1155 |
| ADDRESS: | 483 Bay Street<br>15th Floor Reception<br>Toronto, ON<br>M5G 2P5 | Website: | www.HydroOne.com |
| UTILITY NAME: | COLLUS PowerStream | Direct line: | 705-445-1800 |
| ADDRESS: | 43 Stewart Road<br>Collingwood, ON<br>L9Y 3Z5 | Website: | www.colluspowerstream.ca |

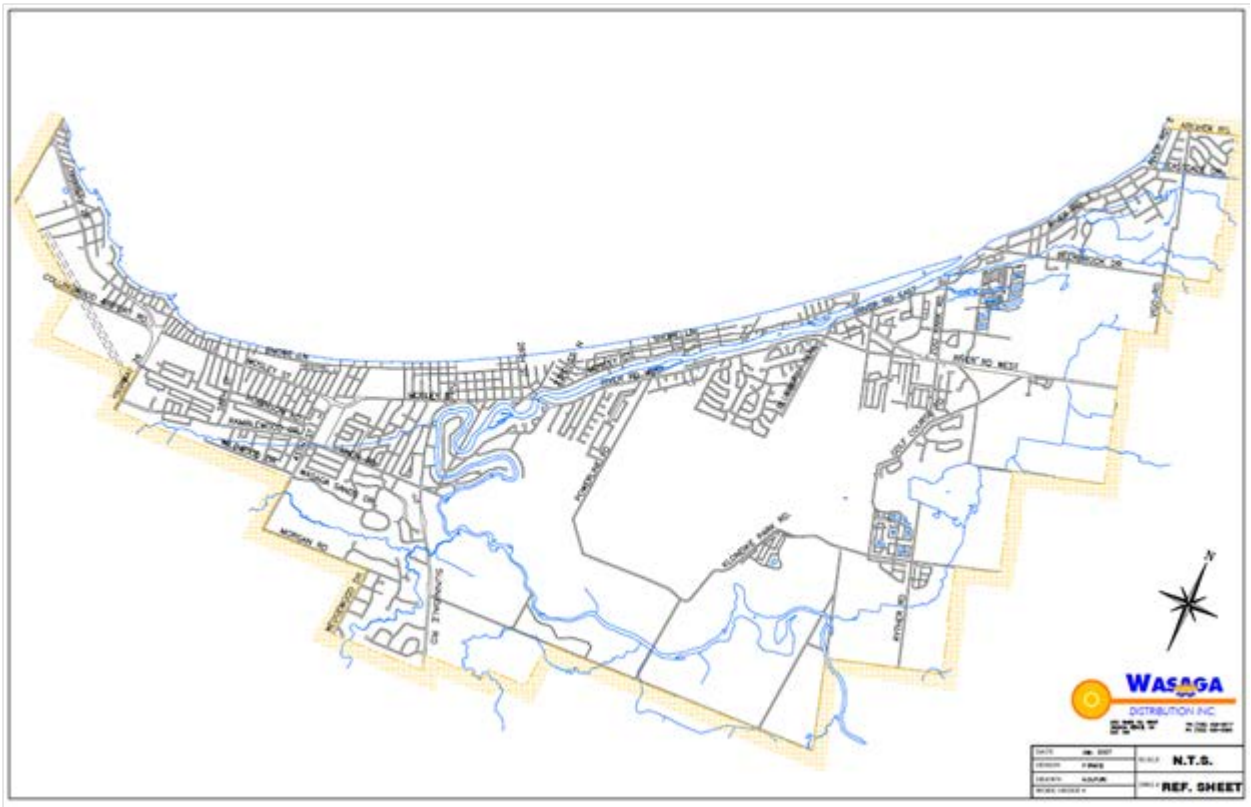
The Description of Distributor (December 31, 2014):

| | |
|---|---|
| Communities Served: | The Town of Wasaga Beach |
| Total Service Area: | 61 sq. km |
| Rural Service Area: | 8 sq. km |
| Distribution Type: | Embedded in Hydro One Networks |
| Service area population: | 18,000 |
| Municipal population: | 18,000 |
| Customer base: | |
| Residential customers | 12,165 |
| General Service <50 | 785 |
| General Service >50 | 38 |
| Street Lighting (connections) | 2,771 |
| Unmetered Scattered Load | 40 |

WDI's Distribution System has 265 kilometers of conductor, both overhead and underground. The system also has more than 1,500 distribution transformers, and approximately 5,100 poles in service, fed from five owned, and one shared distribution stations.

WDI operates a 44kV sub-transmission network which is fully embedded with the Hydro One Networks Inc. ("HONI") system. WDI delivers power to its customers via three feeders from Stayner TS, which is owned by Hydro One. Revenue is earned by WDI delivering electric power to the homes and businesses in the service territory. The rates charged for this and the performance standards that the energy delivery system must meet are regulated by the OEB.

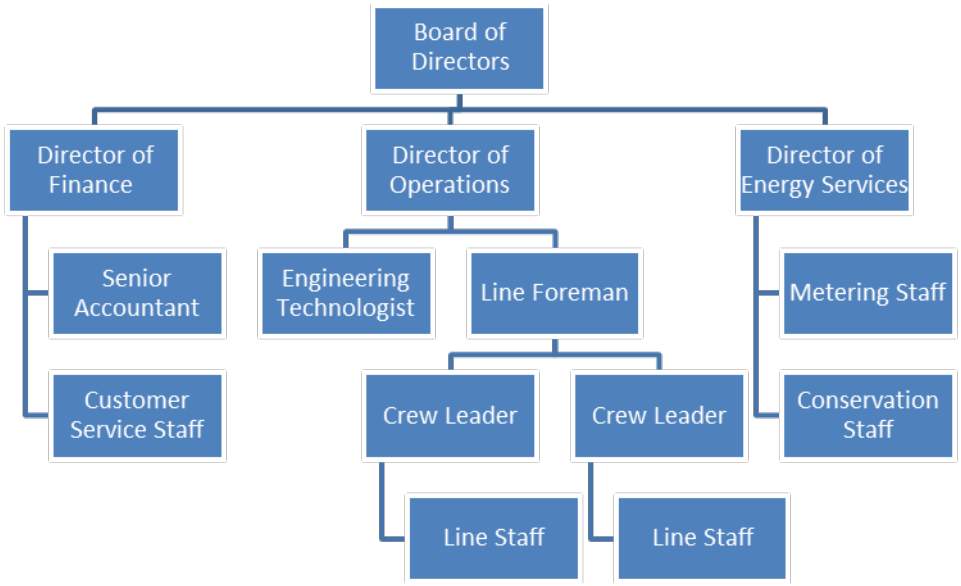
**Figure 1.1 – WDI Service Area**



# Ex.1/Tab 2/Sch.2 – Corporate & Utility Organization Structure

The following is the organizational structure of WRSI:

**Organizational Structure (WRSI)**

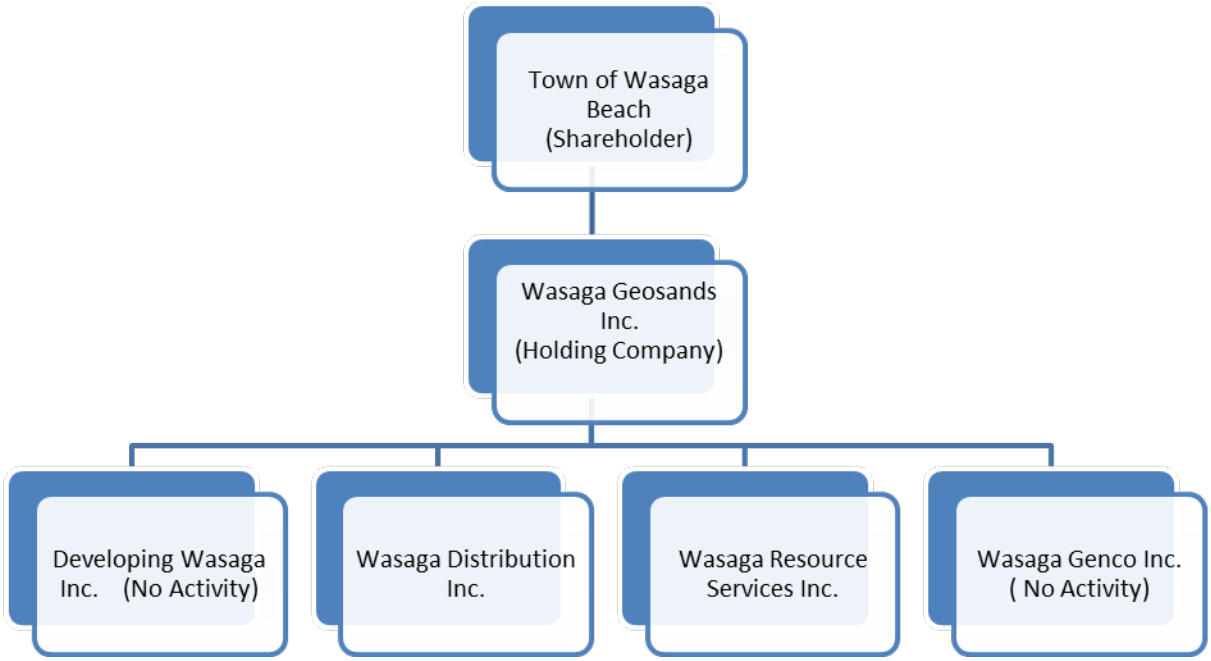



The following is the organizational structure of WDI:

**Organizational Structure (WDI)**


WRSI senior staff report to WDI Board of Directors**.**

**Corporate Entities Relationship Chart**




**Wasaga Geosands Inc.:**

Wasaga Geosands Inc. was incorporated on May 11, 2000 under the laws of the Province of Ontario. The principal activity is as a Holding Company.

**Wasaga Genco Inc.:**

Wasaga Genco Inc. was incorporated on May 11, 2000 under the laws of the Province of Ontario. The principal activity of the Company is to provide electrical generation. At this time the Company is inactive.

**Developing Wasaga Inc.:**

Developing Wasaga Inc. was incorporated on May 11, 2000 under the laws of the Province of Ontario. The principal activity of the Company is to provide development opportunities. At this point in time the Company is inactive.

**Wasaga Distribution Inc.:**

WDI was incorporated on May 11, 2000 under the laws of the Province of Ontario. The principal activity is to provide distribution of electricity to the Town of Wasaga Beach.

**Wasaga Resource Services Inc.:**

Wasaga Resource Services Inc. (WRSI) was incorporated on May 11, 2000 under the laws of the Province of Ontario. The principal activity is to provide a variety of management and other services. WRSI is under contract to WDI through a Master Services Agreement ("MSA") (provided at Exhibit 4, Attachment A) which covers all aspects of operating the LDC.

**Affiliate Transactions:**

As stated above WRSI is under contract to WDI through a MSA, a majority of the expenditures for WDI are paid to WRSI except those listed in Item 3 below. WDI does not have any material transactions with any other affiliate company controlled by Wasaga Geosands Inc.

The relationship between WRSI and WDI is managed according to the "MSA" between the two parties and was executed November 16, 2001. The MSA was revised effective January 1, 2013 and has remained in effect since that date. A copy of this revised agreement is included in Exhibit 4, Attachment A.

**In summary, the MSA:**

1. Provides the base fees to be charged by WRSI and WDI for the services that were required to be provided at the inception of the agreement
2. Provides the basis for Capital expenditures by WDI
3. Identifies the costs that will be paid by WDI and that are not part of the MSA including the following and any other direct costs WDI chooses to incur:
    - Income and corporate taxes or payments in lieu of taxes
    - Property and Land Taxes
    - Directors Fees
    - Insurance not jointly held or provided by the Parties
    - Costs of insurance jointly held will be shared non a pro rata basi

- Regulatory Costs
- Auditors Costs
- Discussed the potential costs of any new services/activities that may materialize over time and that are not covered by the MSA.

**Explanation of Corporate Structure:**

The corporate structure in which WDI exists is similar to the structure used by other distributors in Ontario. WDI is a subsidiary of Wasaga Geosands Inc. and the affiliate of WRSI. The controlling shareholder is the Town of Wasaga Beach. It is therefore, important to understand the basis for establishing the structure and the policy and the regulatory context in which the structure was created. The structure was implemented in the best interests of the customers of the Wasaga Beach Hydro Electric Commission from the perspective of rates.

To attain the objective of keeping electricity rates competitive without an increase as a result of corporatization, the Wasaga Beach corporate structure was implemented. As a result, pursuant to a service agreement with WRSI, WDI was only responsible for the original allocated costs prior to corporatization. This permitted distribution rates to remain stable. With this corporate structure in place WDI and WRSI put in place an incentive based fixed cost services arrangement that provided and continues to provide significant savings and benefits to WDI customers. The rolling stock, office equipment, inventory, computers and personnel were transferred to WRSI on incorporation. All Distribution Plant and all buildings are held by WDI.

## Ex.1/Tab 2/Sch.3 – Host /Embedded Distributor

WDI is an embedded distributor who receives electricity at distribution level voltages from Hydro One Networks Inc. WDI does not have any embedded distributors within its territory.

## Ex.1/Tab 2/Sch.4 – Transmission or High Voltage Assets

The Applicant does not have any transmission or high voltage assets deemed by the Board as distribution assets and as such are not seeking approvals from the Board in that regards.

# Management Discussion and Analysis

## Ex.1/Tab 3/Sch.1 – Management Discussion and Analysis

On October 18, 2012, the Ontario Energy Board ("The Board") issued its "Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach" ("RRFE"), and subsequently commenced implementation of the RRFE. This report set out a comprehensive performance-based approach for the RRFE which promotes the achievement of outcomes that will benefit existing and future customers; will align customer and distributor interests; will continue to support the achievement of important public policy objectives; and will place a greater focus on delivering value for money. Under this approach, a distributor is expected to demonstrate continuous improvement in its understanding of the needs and expectations of its customers and its delivery of services.

On March 5, 2014, the Board issued its report on "Performance Measurement for Electricity Distributors: A Scorecard Approach". The report sets out the Board's policies on the measures that will be used by the Board to assess a distributor's effectiveness and improvement in achieving customer focus, operational effectiveness, public policy responsiveness, and financial performance to the benefit of existing and future customers. Under this approach, a distributor is also expected to demonstrate continuous improvement in its understanding of the needs and expectations of its customers and its delivery of services.

With the above in mind, Wasaga Distribution Inc. would like to provide an overview of this utility in terms of the Renewed Regulatory Framework RRFE and the Distributor Scorecard. Since the scorecard has been developed to measure the outcomes of the RRFE on an ongoing basis the following outlines how the outcomes of the RRFE have been reflect in the preparation of this application. Therefore, this is our account of how WDI continues to improve in its understanding of the needs and expectations of its customers and its delivery of services.

**WDI's Mission Statement is:**

- To provide our customers with excellent products and services in a competitive, safe, reliable and efficient manner, while always recognizing our community and environmental responsibilities.

**WDI's Vision Statement is:**

- As WDI looks to the future, it will remain focused on the needs and priorities of the Community in delivering safe, reliable and efficient electrical power in its service area.
- WDI will continue to build long term value for customers and shareholders alike and places a very strong emphasis on operational excellence and productivity gain.
- WDI will continue its cooperative endeavours with other like-minded LDC's within the CHEC group of companies to realize operational efficiencies and cost savings for customers.

WDI's vision and mission help to guide it to achieve the four RRFE outcomes as prescribed by the OEB:

- Customer Focus
- Operational Effectiveness
- Public Policy Responsiveness
- Financial Performance

WDI's strategic plan prepared in 2014 has been provided in Attachment A to this Exhibit.

**Customer Focus:**

In terms of service quality, WDI has always maintained the highest standards possible. In a regulatory environment, there are numerous SQR targets that a utility must achieve. In most cases, WDI consistently meets and exceeds these targets. In terms of customer satisfaction, WDI has always strived for strong customer relations within the community focusing on improving internal practices and being active in the community. An example of improvement to

internal practices would include the implementation of Smart Meters. WDI has been able to review usage data with customers to assist in solving high bill complaints.
In 2014, WDI achieved a customer satisfaction rating of "A" on its Distributor Scorecard, which is better than the Provincial and National averages. In terms of customer engagement, WDI has numerous methodologies by which it engages its customers. This allows WDI to keep in touch with customers at both the individual and community levels. WDI's 2014 Distributors Scorecard can be found on page 95 of this Exhibit.

WDI, through customer contact both at the counter and on the phone, is aware of customers are concerned about being able to pay their bills. WDI was very mindful of this fact when preparing this rate application and feels 2.5% OM&A increase over 4 years is very prudent.

In the future, WDI plans to continue engaging with their customers through surveys, and presentations to service clubs such Men's/Women's Probus, Real Estate and Rotary groups as examples. WDI will also look into the benefits of communicating with customers through social media, and invest in these newer technologies based on customer feedback. WDI will continue reaching out to customers as well through annuals events and maintaining their "manual phone" system.

**Operational Effectiveness:**

WDI continues to be one of the more efficient and cost effective utilities in the province, while maintaining the highest level of reliability and workplace safety possible. This is primarily through synergies and relationships developed within the industry. In regards to Safety, WDI is committed to delivering a world class health and safety environment across all of its operations. At WDI, we always strive to put safety first by creating an injury-free environment, both in the workplace and in the field WDI continues to hold the reliability of distribution system to the highest standards. This is supported by the SAIFI and SAIDI measures in WDI's Distributor Scorecard, when compared to other distribution companies across the province, as evident in the 2014 OEB Yearbook of Electricity Distributors. WDI reliability indices (excluding Hydro One Networks) have been lower than the industry in each of the last four years. In regards to the Distribution System Plan ("DSP"), WDI has implemented new processes to expand its planning horizon to a 10 year horizon (5 historical years and 5 forecasted years). Full details on the

Distribution System Plan can be found in Exhibit 2. Finally in regards to cost control, WDI continues to maintain one of the lowest "OM&A cost per customer", as reflected in the 2014 Yearbook of Electricity Distributors, as the seventh lowest LDC in Ontario. Furthermore, according to the 2014 PEG report, WDI continues to perform well with a "cost per customer" of $423 of which is ranked 3rd lowest in the province and a cost per kilometer of line at $19,328 of which is ranked 15th lowest in the province. Overall efficiency rating of -40.3% is ranked 2nd best in the province and clearing indicates WDI's focus on operational effectiveness. Assuming the OM&A and Capital Costs in this application, WDI overall cohort ranking (Cohort I) will remain the same.

**Public Policy Responsiveness:**

WDI has achieved 105.2% of its Net Cumulative Energy Savings target of 4.010 GWh over the last 4 years according to the Draft 2011-2014 Final Results Report provided by the IESO. WDI continues its efforts to instill a conservation culture through promotion and adoption of conservation and demand management programs. WDI's CDM initiatives allows the utility to reach out primarily to our residential and GS < 50 kW customer classes. These outreach programs are making a difference and have become an integral component of WDI's communications and customer engagement strategy. In addition to the above, WDI has entered into an agreement with the CHEC group to share a "Roving Energy Manager" (REM). This shared service is a cost effective solution to engage and address some of the needs of our larger customers. This has been an extremely successful venture that creates a win-win situation by providing additional energy savings to the utility, while improving the competitive position and the bottom line of our larger demand users. No small feat considering the current economic climate in Ontario. Furthermore, WDI also engages its customers and shares it expertise in other areas of conservation such as renewable energy initiatives and community energy planning.

**Financial Performance:**

WDI's financial performance is based on approved rates by The Board. WDI Rate Base continues to increase, partially related to the asset change in useful lives and overall capital expenditures. This has had an impact on WDI's liquidity and profitability measurements as reported on WDI's 2014 scorecard results. However, WDI's profitability remains strong despite

recent economic and industry challenges posed by increased activity and complex operational demands. The main factors contributing to the utilities financial success were a strong focus on performance and associated financial management, efficiencies achieved throughout the financial year including a continued focus on improving business planning and monthly financial reporting activities. The Distribution System Plan (presented in Exhibit 2) will support the capital and maintenance programs needed to maintain and enhance the reliability of WDI's distribution system as we move into the future.

With this filing, WDI looks to the future in terms of carrying a strong and sound foundation forward. By building on this foundation through continuous improvement, technological investment, and sound financial investment, WDI plans to continue to provide the highest value in electrical distribution services, at the lowest cost, to our community and the customer. WDI has been conducting surveys of their customer base over the last couple of years. The responses have indicated that customers are happy with WDI's current capital spending program and reliability of the distribution system. Customers have also indicated that energy costs have an impact on their budget and that cost of energy is a concern. The results of the surveys are included in this rate filing at Exhibit 1, Tab 3, Schedule 2. It should be noted that the cost of electricity are frequently commented on.

**Summary:**

WDI has prepared this application to align with the objects of the RRFE. WDI has enhanced customer engagement, and incorporated an appropriate budget to accommodate these requirements while still maintaining operational effectiveness. WDI has, and continues to strive for operational excellence and has factored this into the budgeting process. WDI is ever mindful that there is a balancing act that it must consider when planning for the future: system reliability versus cost to the customers, all while complying with Public Policy.

Additionally, WDI has prepared this application using the OEB prescribed Cost of Capital Parameters and expects that these prescribed parameters will continue to allow WDI to maintain stable financial performance into the near future.

# Executive Summary

## Ex.1/Tab4/Sch.1 - Proposed Revenue Requirement

WDI proposes to recover through distribution rates a revenue requirement of $4,140,171. Table 1.2 below shows a comparison of the 2012 Board Approved Revenue Requirement versus the 2016 Test Year proposed Revenue Requirement. The comparison illustrates the increase in OM&A from 2012 Board Approved to 2016 Test Year which can be attributed to overall increase in OM&A expenses and a decrease in revenue offsets.

**Table 1.2: 2016 Proposed Revenue Requirements**

| Particular | 2012 Board Approved | 2016 Test Year | Variance $ | Variance % |
|---|---|---|---|---|
| OM&A Expenses | 2,549,236 | 3,074,782 | 525,546 | 20.6% |
| Amortization Expense | 561,546 | 554,315 | -7,231 | -1.3% |
| Property Taxes | 25,000 | 28,000 | 3,000 | 12.0% |
| Total Distribution Expenses | **3,135,782** | **3,657,096** | **521,314** | **16.6%** |
| | | | | |
| Regulated Return On Capital | 791,398 | 913,491 | 122,093 | 15.4% |
| Grossed up PILs | 40,738 | 43,991 | 3,253 | 8.0% |
| Service Revenue Requirement | **3,967,918** | **4,614,578** | **646,660** | **16.3%** |
| Less: Revenue Offsets | 582,898 | 474,377 | -108,521 | -18.6% |
| | | | | |
| Base Revenue Requirement | **3,385,037** | **4,140,201** | **755,164** | **22.3%** |

# Ex.1/Tab 4/Sch.2 - Budget and Accounting Assumptions

**Accounting Changes:**

WDI has adopted MIFRS as of January 1, 2015. WDI has prepared this application applying MIFRS standards for 2014 Actual ("Transition Year"), 2015 Bridge Year, and 2016 Test Year. WDI had adopted and was approved for a change in useful lives under CGAAP in WDI's 2012 COS application (EB-2011-0103).

**Budgeting Process:**

The Applicant has reviewed the budget process of other CHEC utilities and has since then adopted its own process described below in which WDI feels is good budgeting practice for this industry.

WDI compiles budget information for the three major components of the budgeting process:

- revenue forecasts;
- operating, maintenance and administration ("OM&A"); and
- capital costs under the RRFE categories
    - System access
    - System renewal
    - System service
    - General plant

WDI's budget is prepared annually by management and is reviewed and approved by the WDI Board of Directors. The budget is prepared before the start of each fiscal year, and is approved at the first meeting of January. Once approved, it does not change and provides a plan against which actual results are evaluated and presented to WDI's Board of Directors monthly.

During a COS and IRM period, WDI prepares the revenue forecast using most recent approved rates and the load forecast methodology provided in Exhibit 3. Other Operating Revenues are projected using trending analysis and other information/circumstances are incorporated if necessary.

The OM&A costs presented at Exhibit 4 are the result of a business planning and work prioritization process that ensures that the most appropriate, cost effective solutions are put in place. The budgeting process used to determine the OM&A budget involves the following steps:

- Detailed expenses for prior 2-3 years are provided to the managers. Current year to date actual expenses are also provided. Managers are required to update current year forecast to aid in development of full year forecast estimates.
- Outside expenses for all department budgets are built based on analysis including previous years actual information, current year forecast, known changes in external costs, and changes in departmental activities or responsibilities in response to new legislation/regulations/industry activities;
- Material variances in spending from prior years must be explained and documented, both at the time of creating forecast and on a monthly basis as actuals are compiled;
- The Director of Finance prepares a total labor budget by department using projected wage and benefit cost. Overtime and account distribution are based on previous years actual.

The Director of Finance compiles all forecasted OM&A expenditures to compare the total projected expenditures and review year over year variances.

The forecasted capital budget is influenced, among other factors, by WDI's capacity to finance capital projects. All proposed capital projects are assessed within the framework of its capital budget priority as outlined in The Distribution System Plan and are consistent with the Asset Management planning process.

System Access investments are driven by third parties such as customers and other authorities. These project requirements are dependent on developments and growth within WDI's territory. WDI coordinates with third parties including the Town of Wasaga Beach and prospective developers when preparing the budget. The majority of the projects receive significant funds from customer contributions.

For System Renewal projects, WDI reviews condition assessments and potential impact on reliability in coordination with investment projects driven externally, and capital budget expenditures, prioritizing investments based on asset condition evaluations along with review of annual maintenance logs and DSC inspections to determine short and long term needs for asset replacements and renewals.
General Plant projects are assessed and evaluated on an individual basis. Material investments are planned well in advanced.

Topics in the capital budget process include:

- Asset Condition Assessment
- Load Growth
- Demand Management
- Infrastructure Growth
- Maintenance
- Regulatory Requirements
- Strategic/Financial Objectives

Unplanned capital expenditures do occur and are brought to WDI's Board of Directors for approval and variances to the original capital expenditures are explained.

The Distribution System Plan presented in Exhibit 2 supports the capital and maintenance programs needed to maintain and enhance the reliability of WDI's distribution system.

## Ex.1/Tab 4/Sch.3 - Load Forecast Summary

The purpose of weather normalization is to predict future customer consumption based on normal weather conditions. To achieve this goal, the relationship between weather change and customer consumption must be defined. WDI reviewed the various processes used by earlier Cost of Service applicants and is proposing to adopt a weather normalization methodology using Multifactor Regression (MR) for its load forecast. WDI is proposing to adopt a weather normalization forecasting method similar to WDI's 2012 Cost of Service (EB-2011-0103).
In summary, WDI has used the regression analysis methodology to determine a prediction model. With regards to the overall process of load forecasting, it is WDI's view that conducting a regression analysis on historical purchases to produce an equation that will predict energy purchases is appropriate. WDI knows by month the exact number of kWh's purchased from the IESO for use by customers of WDI. With a regression analysis these purchases can be related to other monthly explanatory variables such as heating degree days and cooling degree days which occur in the same month. The result of the regression analysis produces an equation that predicts the purchases based on the explanatory variables. This prediction model is then used as the basis to forecast the total level of weather normalized purchases for WDI for the bridge and test year, which is converted to Billed kWh by rate class. A detail explanation of the process is provided in Exhibit 3.

The years 2005 to 2014 are weather actual while 2015 and 2016 is weather normalized and adjusted by projected CDM savings. WDI currently does not have a process to adjust weather actual data to a weather normal basis. However, based on the process outlined in Exhibit 3, a process to forecast energy on a weather normalized basis has been developed and used in this application.

Total Customers are annual averages and streetlights and USL customers are measured as connections.

The 2016 Load Forecast compared to 2012 Board Approved is presented in Table 1.3 on the next page and detailed explanations can be found in Exhibit 3.

## Table 1.3: Load Forecast

**Customers or Connections**

| Customer Class Name | 2012 Board Approved | Test Year 2016 | Variance | Variance % |
|---|---|---|---|---|
| Residential | 11,614 | 12,440 | 826 | 7.1% |
| General Service < 50 kW | 791 | 789 | -2 | -0.3% |
| General Service > 50 to 4,999 kW | 34 | 38 | 4 | 11.8% |
| Unmetered Scattered Load | 45 | 40 | -5 | -11.1% |
| Street Lighting (connections) | 2,525 | 2,819 | 294 | 11.6% |
| TOTAL | **15,009** | **16,126** | **1,117** | **7.4%** |

**Metered kWh (CDM Adjusted)**

| Customer Class Name | 2012 Board Approved | Test Year 2016 | Variance | Variance % |
|---|---|---|---|---|
| Residential | 85,253,972 | 87,540,339 | 2,286,367 | 2.7% |
| General Service < 50 kW | 17,532,074 | 17,037,738 | -494,336 | -2.8% |
| General Service > 50 to 4,999 kW | 20,862,622 | 20,902,751 | 40,129 | 0.2% |
| Unmetered Scattered Load | 297,067 | 221,022 | -76,045 | -25.6% |
| Street Lighting (connections) | 1,691,769 | 611,285 | -1,080,484 | -63.9% |
| TOTAL | **125,637,504** | **126,313,135** | **675,631** | **0.5%** |

**kW CDM Adjusted**

| Customer Class Name | 2012 Board Approved | Test Year 2016 |
|---|---|---|
| Residential | | |
| General Service < 50 kW | | |
| General Service > 50 to 4,999 kW | 52,968 | 51,946 |
| Unmetered Scattered Load | | |
| Street Lighting (connections) | 4,771 | 1,802 |
| TOTAL | **57,739** | **53,748** |

## Ex.1/Tab 4/Sch.4 - Rate Base and Capital Planning

A rate base is the value of property on which a utility is permitted to earn a specified rate of return in accordance with rules set by the OEB. The rate base underlying WDI's revenue requirement includes a forecast of net fixed assets, plus a working capital allowance defined as 7.5% of the sum of the cost of power and controllable expenses. Controllable expenses include operations and maintenance, billing and collecting and administration expenses.

The proposed Rate Base for the 2016 test year of $14,101,946 reflects an increase of $1,339,104 from the 2012 Board Approved. The increase suggests a prudent and reasonable investment in the distribution assets and is necessary in order to meet other regulatory requirements such as "obligation to connect" new growth, the need to maintain the highest electrical safety standards. Table 1.4 below shows the derivation of the proposed 2016 rate base. Further details can be found at Exhibit 2.

The utility is not proposing to recover any costs from any rate class renewable energy connections/expansions, smart grid, and regional planning initiatives.

**Table 1.4: Rate Base**

| Particulars | Board Appr 2012 | Test Year 2016 | Var $ | Var % |
|---|---|---|---|---|
| *Net Capital Assets in Service:* | | | | |
| Opening Balance | 9,818,321 | 12,324,089 | 2,505,768 | |
| Ending Balance | 11,321,944 | 12,996,573 | 1,674,629 | |
| Average Balance | 10,570,132 | 12,132,143 | 1,562,012 | 14.8% |
| Working Capital Allowance | 2,192,710 | 1,441,974 | -750,736 | |
| Total Rate Base | 12,762,842 | 14,102,305 | 1,339,463 | 10.5% |

**Table 1.5: Working Capital Allowance**

| Expenses for Working Capital | Board Appr 2012 | Test Year 2016 | Var $ | Var % |
|---|---|---|---|---|
| Eligible Distribution Expenses: | | | | |
| 3500-Distribution Expenses - Operation | 49,002 | 77,011 | 28,009 | 57.16% |
| 3550-Distribution Expenses - Maintenanc | 638,821 | 795,181 | 156,360 | 24.48% |
| 3650-Billing and Collecting | 881,150 | 1,027,236 | 146,086 | 16.58% |
| 3700-Community Relations | 9,800 | 17,803 | 8,003 | 81.66% |
| 3800-Administrative and General Expens | 970,463 | 1,157,551 | 187,088 | 19.28% |
| Total Eligible Distribution Expenses | 2,549,236 | 3,074,782 | 525,546 | 20.62% |
| 3350-Power Supply Expenses | 13,087,961 | 16,123,534 | 3,035,573 | 23.19% |
| Total Expenses for Working Capital | 15,637,197 | 19,198,316 | 3,561,119 | 22.77% |
| Working Capital Factor | 14.0% | 7.5% | -6.5% | |
| Total Working Capital | 2,189,208 | 1,439,874 | - 749,334 | -34.23% |

As described in the Distribution System Plan ("DSP"). WDI's capital expenditures are modest and as a result there are eight identifiable separate projects to report for the 2016 Test Year. The major contributors to the increase in Rate Base from Capital Expenditures in the 2016 Test Year include Residential and Commercial Developments, New and Upgraded Services, Sunnidale Road Pole Line Expansion, Metering and Pole, Conductor, Transformer Replacements Projects.

Details of WDI's capital expenditures above the materiality threshold are presented in the DSP at Section 4.5.2 [5.4.5] and Section 5.3.

## Table 1.6: Capital Expenditure Summary

| Capital Expenditure Summary | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historical (Previous Plan and Actual) | | | | | | | | | | | | Forecast (Planned) | | | | | | | |
| | Test-5 | | | Test-4 | | | Test-3 | | | Test-2 | | | Test -1 | | | Test | Test +1 | Test +2 | Test +3 | Test +4 |
| | 2011 | | | 2012 | | | 2013 | | | 2014 | | | 2015 | | | 2016 | 2017 | 2018 | 2019 | 2020 |
| | Plan | Actual | % Var | Plan | Actual | % Var | Plan | Actual | % Var | Plan | Actual | % Var | Plan | Forecast | % Var | Plan | Plan | Plan | Plan | Plan |
| **Category** | $'000 | | % | $'000 | | % | $'000 | | % | $'000 | | % | $'000 | | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| **System Access** | 775 | 236 | -69.6 | 513 | 499 | -2.6 | 745 | 439 | -41.0 | 678 | 876 | 29.3 | 580 | 580 | 0 | 589 | 463 | 211 | 516 | 520 |
| **System Renewal** | 167 | 92 | -44.7 | 126 | 603 | 378.5 | 126 | 306 | 142.7 | 126 | 216 | 71.3 | 335 | 335 | 0 | 650 | 744 | 903 | 616 | 628 |
| **System Service** | 55 | 0 | -100 | 50 | 257 | 413.5 | 65 | 6 | -90.6 | 65 | 2 | -97.0 | 0 | 0 | 0 | 10 | 10 | 20 | 10 | 10 |
| **General Plant** | 0 | 28 | - | 0 | 113 | - | 0 | 493 | - | 0 | 96 | - | 135 | 135 | 0 | 30 | 10 | 10 | 0 | 0 |
| **Change in WIP** | 0 | 459 | - | 0 | -175 | - | 0 | -377 | - | 0 | 31.3 | - | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | 997 | 815 | -18.2 | 689 | 1,298 | 88.5 | 936 | 867 | -7.4 | 869 | 1218 | 26.0 | 1,050 | 1,050 | 0 | 1,279 | 1,226 | 1,145 | 1,141 | 1,158 |
| **System O&M** | 436 | 631 | 44.8 | 454 | 806 | 77.5 | 465 | 776 | 66.9 | 480 | 777 | 61.8 | 828 | 828 | 0 | 872 | 898 | 925 | 953 | 982 |

## Ex.1/Tab 4/Sch.5 - Overview of Operation Maintenance and Administrative Costs

As of 2014, WDI had the 7th lowest OM&A cost per customer out of 72 utilities in the province according to the 2014 Electricity Distributor Yearbook. WDI is proposing a 6.13% increase in OM&A cost per customer from 2014 Actual to 2016 Test Year. When this application is approved this increase would move WDI from 7th lowest to 11th lowest assuming 2014 OM&A cost per customer for every utility across the province remains constant.

According to the 2014 PEG report, WDI continues to perform well with a "cost per customer" of $423 of which is ranked 3rd lowest in the province and a cost per kilometer of line at $19,328 of which is ranked 15th lowest in the province. Overall efficiency rating of -40.3% is ranked 2nd best in the province and WDI has been assigned to Cohort I. Assuming the OM&A and capital costs in this application, WDI's overall cohort ranking will remain the same.

WDI increase in OM&A spending from its 2012 Cost of Service ("COS") to the 2016 Test Year amounts to $525,546 or 20.62% over the last 4 years or a simple average of 5.15% per year as illustrated in Table 1.7.

**Table 1.7: Summary of Recoverable OM&A Expenses**

| | 2012 Board Approved | 2016 | Variance from Board Approved |
|---|---|---|---|
| Operations | $ 49,002 | $ 77,011 | $ 28,009 |
| Maintenance | 638,821 | 795,181 | 156,360 |
| Billing and Collecting | 881,150 | 1,027,236 | 146,086 |
| Community Relations | 9,800 | 17,803 | 8,003 |
| Administrative and General (Includes LEAP) | 970,463 | 1,157,551 | 187,088 |
| Total OM&A Expenses | $ 2,549,236 | $ 3,074,782 | $ 525,546 |
| Percent change (year over year) | | 20.62% | |

The significant drivers, driven from the MSA, are related to:

- Maintenance (approximately $156,400) of the distribution system. Maintenance costs can include such activities as repairs, inspections, testing and cleaning are for the most part aimed at an increase in maintenance on overhead and underground assets.
- Billing and Collecting increased by approximately $145,000. The major contributor to the increase in Billing/Collecting is increased labour/benefit costs and Bad Debt.
- Administration/General shows an increase of approximately $185,000. Administration and General costs are mainly driven by increases in time and expenses to support regulatory requirements and increased labour/benefit costs.

WDI applied an estimated increase for 2016 Test Year of 4.4% based on the CPI of 2% and budgeted increase in distribution revenue and customer growth for the MSA.

WDI applies a 2% adjustment to CPI for Non-MSA, where the expense increase could not be specifically identified for non-wage related expenses.

Salaries for non-union staff are adjusted in accordance with the Collective Agreement which can be found in Exhibit 4. Overall employee costs have increased 6.27% or $114,009 since 2012 Board Approved. This includes a reduction of one full time equivalent staff member. These increases and costs are included in significant drives; however, fluctuations can occur depending on the amount of capital work required by internal staff.

## Ex.1/Tab 4/Sch.6 - Statement of Cost of Capital Parameters

WDI has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009 in determining the cost of capital.

In calculating the Cost of Capital, WDI has used the deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, and the Cost of Capital parameters in the OEB letter of November 20, 2014, for the allowed return on equity and where appropriate for debt.

WDI's Cost of Capital for 2016 has been calculated as 6.48%, as shown in Table 1.8 below:

**Table: 1.8 – Overview of Capital Structure**

| Particulars | Cost Rate |
|---|---|
| | (%) |
| **Debt** | |
| Long-term Debt | 4.77 |
| Short-term Debt | 2.16 |
| **Total Debt** | 4.60 |
| | |
| **Equity** | |
| Common Equity | 9.30 |
| **Total Equity** | 9.30 |
| | |
| **Total** | 6.48 |

WDI understands that the OEB will most likely update the ROE for 2016 at a later date. WDI commits to updating its Capital Structure accordingly and as new information becomes available.

WDI's only debt instrument currently resides with WDI's shareholder (affiliate) and is a variable debt dependent on WDI's approved debt rate. Consequently, the debt that is the difference between actual and deemed debt (notional) would follow the same variable methodology WDI applies to the loan owed to WDI's shareholder. WDI is applying for a notional debt rate of 4.77% for this application.

## Ex.1/Tab 4/Sch.7 - Overview of Cost Allocation and Rate Design

The main objectives of a Cost Allocation study is to provide information on any apparent cross-subsidization among a distributor's rate classifications and to eventually be used in future rate applications.

WDI has prepared and is filling a cost allocation study consistent with the utility's understanding of the Directions, the Guidelines, the Model and the Instructions issued by the Board back in November of 2006 and all subsequent updates.

WDI has prepared a Cost Allocation Study for 2016 based on an allocation of the 2016 Test Year costs (i.e., the 2016 forecast revenue requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh) by class, customer counts, etc.

WDI has used the updated Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2016 data into this model.
Street Lighting customer class revenue to cost ratios are outside the Board range. WDI has adjusted the revenue to cost ratio for the Street Light class downwards to the maximum ceiling. This adjustment required WDI to adjust the revenue to cost ratio for the GS>50 kW customer class upwards to maintain revenue neutrality. Table 1.9 below shows the utility's proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs the Board's floor and ceiling ranges.

**Table 1.9: Proposed Allocation**

| Class | Previously Approved Ratios | Status Quo Ratios | Proposed Ratios | Policy Range |
|---|---|---|---|---|
| | Most Recent Year: 2012 | (7C + 7E) / (7A) | (7D + 7E) / (7A) | |
| | % | % | % | % |
| Residential | 102.29 | 100.42 | 100.42 | 85 - 115 |
| GS < 50 kW | 92.60 | 94.48 | 94.48 | 80 - 120 |
| GS > 50 kW | 98.52 | 99.43 | 99.91 | 80 - 120 |
| Street Lighting | 70.00 | 122.51 | 120.00 | 80 - 120 |
| Unmetered Scattered Load (USL) | 102.29 | 94.68 | 94.68 | 80 - 120 |

Distribution revenue is derived through a combination of fixed monthly charges and volumetric charges based either on consumption (kWh's) or demand (kW's). Revenues are collected from 5 customer classes including: Residential, General Service less than 50 kW, General Service greater than 50 kW, Street Lighting, and Unmetered Scattered Load.

Fixed rate revenue is determined by applying the current fixed monthly charge to the number of customers or connections in each of the customer classes in each month. Variable rate revenue is based on a volumetric rate applied to meter readings for consumption or demand volume. This is then used to determine the current fixed/variable split used to design the proposed rates.

Existing volumetric rates include a component to recover allowances for transformer ownership. Commodity Charges and deferral and variance rate riders, along with WDI specific other adders such as LRAMVA are used along with the current and proposed distribution rates to produce total bill impacts.

WDI has incorporated the fixed rate design changes for Residential customer class as set out in: *Implementing a New Rate Design for Electricity Distributors* (EB-2012-0410) released July 16th, 2015.

WDI is not proposing any rate mitigation plans and is discussed further in Exhibit 8.

## Ex.1/Tab 4/Sch.8 - Overview of Deferral and Variance Account Disposition

WDI proposes to dispose of a credit of $26,884 related to Group 1 Variance/Deferral Accounts. This credit includes carrying charges up to and including April 30, 2016. WDI also proposes to dispose of the following;

- A net debit balance of $10,350 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account for audited balances as of December 31, 2014 for lost revenue occurred during 2011-2013. Carrying charges have been calculated up until April 30th, 2016.

Group 1 DVA and LRAMVA balances are proposed to be disposed of over 1 year.

WDI has followed the OEB's guidance as provided in the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report. As of December 31, 2014, WDI recorded principal balances in the following Board-approved deferral and variance accounts.

Table 1.10 illustrates the balances and forecast carrying charges until April 30th, 2016.

**Table 1.10: Account and Balances sought for disposition/recovery**

| Account Description | USoA | Principal& Interest Dec 31/14 | Disposn. in 2015 | Interest to Dec 31/15 | Interest to Apr 30, 2016 | Total Claim**** |
|---|---|---|---|---|---|---|
| Group 1 | | | | | | |
| LV Variance Account | 1550 | 137,819.47 | 66,188 | 1,617.78 | 261.12 | 73,511 |
| Smart Metering Entity Charge Variance Account | 1551 | 378.32 | 5,651 | 1.56 | (19.24) | (5,290) |
| RSVA - Wholesale Market Service Charge | 1580 | (80,563.92) | (82,674) | (943.17) | 4.72 | 1,172 |
| RSVA - Retail Transmission Network Charge | 1584 | (40,212.87) | 45,764 | (484.32) | (310.52) | (86,773) |
| RSVA - Retail Transmission Connection Charge | 1586 | (299,653.32) | (99,062) | (3,535.98) | (731.12) | (204,858) |
| RSVA - Power (excluding Global Adjustment) | 1588 | (109,082.29) | (43,995) | (1,248.21) | (229.52) | (66,565) |
| RSVA - Global Adjustment | 1589 | 693,295.38 | 440,414 | 8,113.62 | 924.68 | 261,919 |
| Recovery of Regulatory Asset Balances - 2010*** | 1595 | 427,946.77 | 429,683.31 | 1,736.64 | - | 0 |
| Recovery of Regulatory Asset Balances - 2011** | 1595 | (303,626.92) | 0.00 | (3,767.67) | (1,158.48) | - |
| Recovery of Regulatory Asset Balances - 2012** | 1595 | (339,786.49) | 0.00 | (2,504.85) | (770.20) | - |
| Recovery of Regulatory Asset Balances - 2014** | 1595 | (474,485.71) | 0.00 | (5,081.34) | (1,562.40) | - |
| Sub-total Group 1 Accounts | | (387,971.58) | | (6,095.9) | (3,591.0) | **(26,884)** |
| Group 2 | | | | | | |
| LRAM Variance Account (LRAMVA) | 1568 | 10,192.40 | 0.00 | 120.48 | 37.04 | 10,350 |
| Sub-total Group 2 Accounts | | 10,192.40 | | 120.48 | 37.04 | **10,350** |
| | | | | **GRAND TOTAL** | | **(16,534)** |

**** Not requesting disposition**
***** Diposed of in 2015 (EB-2014-0118)**
******Rounded**

## Ex.1/Tab 4/Sch.9 - Overview of Bill Impacts

A summary of the bill impacts by class and a range of usage are presented in Table 1.11. WDI has presented bill impacts including the impact from the removal of the OCEB and Debt Retirement Charge and without.

**Table 1.11 Bill Impact Summaries by Rate Class**

**Bill Impacts with the removal of OCEB and Debt Retirement Charge**

| Rate Class | Usage | | Amount of 2015 Bill | Amount of 2016 Bill | Amount Difference | Total Bill Impact % |
|---|---|---|---|---|---|---|
| | kWh | kW | | | | |
| Residential - RPP | 132 (10th Percent) | | 31.91 | 39.86 | 7.95 | 24.91% |
| | 650 | | 106.82 | 122.79 | 15.97 | 14.95% |
| | 800 | | 128.52 | 146.81 | 18.29 | 14.23% |
| GS < 50 kW - RPP | 2,000 | | 306.12 | 342.67 | 36.55 | 11.94% |
| GS > 50 kW - Non RPP | 170,000 | 300 | 28,525.52 | 26,011.42 | -2,514.10 | -8.81% |
| Street Lighting | 140,000 | 400 | 11,002.08 | 11,734.03 | 731.95 | 6.65% |
| Unmetered Scattered Load | 250 | | 38.46 | 46.52 | 8.06 | 20.96% |

**Bill Impacts including OCEB and Debt Retirement Charge to 2016 Bill**

| Rate Class | Usage | | Amount of 2015 Bill | Amount of 2016 Bill | Amount Difference | Total Bill Impact % |
|---|---|---|---|---|---|---|
| | kWh | kW | | | | |
| Residential - RPP | 132 (10th Percent) | | 31.91 | 36.81 | 4.90 | 15.36% |
| | 650 | | 106.82 | 115.14 | 8.32 | 7.79% |
| | 800 | | 128.52 | 137.82 | 9.30 | 7.24% |
| GS < 50 kW - RPP | 2,000 | | 306.12 | 322.64 | 16.52 | 5.40% |
| GS > 50 kW - Non RPP | 170,000 | 300 | 28,525.52 | 27,356.12 | -1,169.40 | -4.10% |
| Street Lighting | 140,000 | 400 | 11,002.08 | 12,066.25 | 1,064.17 | 9.67% |
| Unmetered Scattered Load | 250 | | 38.46 | 43.65 | 5.19 | 13.49% |

The bill impacts vary by customer class, ranging from a decrease of -8.82% for the GS>50 kW Customer to increases of 24.91% for low volume (highest of the lowest 10$^{th}$ percentile) Residential Customers. WDI further decided to isolate the impact on the removal of the OCEB and Debt Retirement change. Thus the bill impacts by rate class would vary from -4.10% for

GS>50 kW Customers to 15.36% for low volume (highest of the lowest 10th percentile) Residential Customers.

**The major impact by customer class is as follows:**

Residential:

- Removal of the OCEB charge effective January 1, 2016
- Removal of the Debt Retirement Charge effective January 1, 2016
- Disposal of DVA accounts for 2011, and 2014 expiring as of April 30th, 2016
- Fixed Rate Design Policy implemented in this application
- Adjustment to account for WDI's revenue deficiency

GS<50 kW:

- Removal of the OCEB charge effective January 1, 2016
- Removal of the Debt Retirement Charge effective January 1, 2016
- Disposal of DVA accounts for 2011, and 2014 expiring as of April 30th, 2016
- Adjustment to account for WDI's revenue deficiency

GS >50kW:

- Removal of the Debt Retirement Charge effective January 1, 2016
- Disposal of DVA accounts for 2011, and 2014 expiring as of April 30th, 2016
- Adjustment to account for WDI's revenue deficiency

Street Lighting:

- Removal of the Debt Retirement Charge effective January 1, 2016
- Disposal of DVA accounts for 2011, and 2014 expiring as of April 30th, 2016
- Adjustment to account for WDI's revenue deficiency
- Adjustment to Load Forecast to account for the LED Street Light conversion project

Unmetered Scattered Load:

- Removal of the Debt Retirement Charge effective January 1, 2016

- Disposal of DVA accounts for 2011, and 2014 expiring as of April 30th, 2016
- Adjustment to account for WDI's revenue deficiency

Although the overall bill impacts have been increased for certain classes, WDI's proposed 2016 revenue requirement is needed to remain in compliance with its regulators and meet its mandate and commitment to provide safe, reliable cost-effective services and products achieving sustainable growth while respecting the community and the environment.

WDI is not proposing any rate mitigation strategies or addressing any foregone revenues for this application.

WDI has determined no mitigation strategies are necessary based on the exclusion of the removal of the OCEB and Debt Retirement Charge ("DRC").

The Residential Customer Class would exceed the 10% threshold based on the analysis of low volume residential customers. The dollar increase for the 10th consumption percentile is less than $5.00. WDI feels the majority of the customers in this low volume consumption range are seasonal cottage customers that can be demonstrated by the first dip in the chart provided above and may not be adversely affected to the rate increase as a typical low volume customer. Additionally, the increase in regulatory and the disposition of variances limits WDI's control that compounded with the new fixed rate policy has resulted in WDI requesting that no rate mitigation strategies be undertaken in this application for this Class.

Although the USL Customer Class for WDI is slightly over the 10% threshold of the overall bill impact, excluding the changes to the OCEB and DRC, is just slightly over $5.00 per customer per month and WDI does not feel any rate mitigation is necessary for this Class.

# Customer Engagement

## Ex.1/Tab 5/Sch.1 - Overview of Customer Engagement

The Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach (the "RRFE Report") contemplates enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations. WDI always has, and always will, focus on its customers by striving to provide superior service to its customer base. WDI is also becoming more customer-centric by investing in new capabilities, programs, and technologies that allow us to communicate more effectively and efficiently with our customers. Some of our current initiatives to maintain or improve our level of customer engagement are as outlined on the next few pages.

WDI has summarized customer engagement actives provided in Table 1.12.

## Table 1.12 – OEB Appendix 2 – AC

| Provide a list of customer engagement activities | Provide a list of customer needs and preferences identified through each engagement activity | Actions taken to respond to identified needs and preferences. If no action was taken, explain why. |
|---|---|---|
| Annual Home and Garden Show (2012-2014) | 1. Conservation and usage reduction for small business and residential customers<br>2. Peaksaver Plus, Customer Connect, E-Billing, Safety awareness | General awareness is been promoted. If awareness was identified as unsatisfactory through ballot responses WDI looked at increasing awareness through newspaper advertisements and in office promotion. WDI has implemented Peaksaver Plus, Customer Connect and E-Billing Services. |
| Business Show | 1. Conservation and usage reduction for small business and residential customers<br>2. Peaksaver Plus, Customer Connect, E-Billing, Safety awareness | General awareness is been promoted. If awareness was identified as unsatisfactory through ballot responses WDI looked at increasing awareness through newspaper advertisements and in office promotion. WDI has implemented Peaksaver Plus, Customer Connect and E-Billing Services. |
| Customer Surveys | 1. Utility Pulse<br>2. Survey Monkey<br>3. Annual Home and Garden Home Show Contest | WDI continues to incorporate customer's needs. Unsatisfactory results are identified and addressed and brought forward to WDI's Board of Directors. Open ended responses are followed up with individually. |
| Meeting with Contractors Association | 1. Monthly Business meetings<br>2. Presentation of services | Regulatory requirements and process required for WDI to upgrade and/or install new services. Making sure contractors are familiar with WDI's process and ESA requirements. Community outreach. |
| In-Office Customer Engagement | 1. Front Counter Engagement<br>2. Senior Assistance - Customer Connect (drop in appointments)<br>3. Computer Centre provide for free to all customers in office | Concerns and issues are dealt with immediately. Any concerns that need to be escalated are brought forward to senior management and if necessary, the board of directors. WDI provides a computer centre to assist with customers that need extra assistance using WDI's customer connect, e-billing services and customer satisfaction surveys. |
| Regional Planning Engagements | WDI is was invited to participate in regional planning | No projects identified therefore WDI has not taken any action. |
| Financial Assistance Program | WDI provides support through partnerships' with the province's Low-income Energy Assistance Program (LEAP). This emergency financial assistance programs are designed to help low-income customers who have difficulty making their electricity bill payments. | WDI continues to promote verbally and on their website, on emergency financial assistance programs that are designed to help low-income customers having difficulty making their electricity bill payments. |
| E-billing/Customer Connect - Online Account Services | WDI provides access to customer bills and consumption data. | WDI has offering to customers based on input received from customer service staff addressing customer inquiries. This also reduces WDI's carbon footprint. |
| Annual utility coordination meetings | Synergies achieved through collaboration to reduce costs on construction | The meetings include discussion on short term projects that have potential to achieve cost savings by working collaboratively. Current projects include Bell FTTH (Fibre to the home), road widening, and bridge replacements. |
| Customer Education literature | WDI's safety practices and policies | WDI responded to customers that followed up on the literature. |

# Ex.1/Tab 5/Sch.2 - Customer Satisfaction Survey

WDI has conducted two customer satisfaction survey with its residential and GS<50 classes. WDI engaged UtilityPULSE to conduct independent customer satisfaction survey for 2014 and WDI conducted an online survey through Survey Monkey in July 2015. In addition to the survey mentioned, WDI continues to conduct small surveys of up to 5 questions through an annual contest during Wasaga Beach's Annual Home and Garden Show. After WDI completed the first draft of this rate application WDI conducted a brief survey of two questions regarding the proposed rate increase of the residential customer class.

**UtilityPULSE (Cornerstone Hydro Electric Concepts) Joint Utilities Survey – June 2014:**

The survey asks customers questions on a wide range of topics, including: (a) power quality and reliability; (b) price; (c) billing and payment; (d) communications; and (e) the customer service experience. UtilityPULSE conducted the 2014 survey in April of 2014, with final results available in June 2014. The results are compiled into a final report outlining the overall customer satisfaction within the community as well as benchmarking the results against other Provincial and National participants. These results are then used to support internal discussions surrounding what is currently being done well, and what needs improvement.

With regard to the 2014 survey results, UtilityPULSE surveyed 600 responses, consisting of 85% residential and 15% commercial. In terms of customer satisfaction, CHEC ranked higher than both the Provincial and National averages:

- CHEC customer satisfaction ranking, 78%
- National customer satisfaction ranking, 75%
- Provincial customer satisfaction ranking, 62%

WDI has provided the full report in Attachment B.

**Survey Monkey (Online Survey) – July 2015 (471 Responses):**

As part a commitment to provide customers with reliable and quality utility services that meet current and future needs, WDI surveyed it customers in July of 2015. The 2015 survey is the first individual survey that WDI conducted online. The utility intends on conducting on a bi-annual basis in an effort to monitor and assess residential and commercial customer knowledge, perception and satisfaction regarding utility services.

Survey Objectives:

In 2015, WDI's objectives were:

- Utility's overall performance
- Reliability
- Billing and Payment Options
- Quality of service provided by customer care.
- Quality of service provided by field employees
- Customer awareness and usage of the department's online services
- Customer opinions regarding how aggressively sustainable practices should be pursued
- Cost of Electricity
- Overall Performance.

WDI received 471 responses and of the 471 responses, 3 customers identified themselves as a commercial customer. The customers that responded were 18 years and older with 77% of respondents being between the ages of 45-74 years old.

Summarized results were as follows:

Customer Preferences:

- 94% of responses indicated that the cost of electricity is impactful on their household budget
- 65-80% of responses indicated that the cost efficiencies and reliability of energy services are the most important aspect of service, compared to Customer Service and Energy Conservation
- 88% rated the overall value of their electricity service between good to excellent

Operation Performance:

- 85% of respondents stated that they find the existing level of spending and reliability to be acceptable
- 95% rated WDI's performance in restoring service from good to excellent
- 80% of respondents indicated WDI's performance in restoring services as good to excellent during extended outages

Customer Focus:

- 13% of customers indicated they have a hard time understanding WDI's bills
- 8% of customers are not satisfied with the payment options offered by WDI
- 95% of customers indicated that received good to excellent service from WDI's customer service staff.
- 94% of customers indicated that they received good to excellent service from WDI's field staff.

Public Perception, Opinion, and General Awareness:

- 90% of respondents indicated that they would not want WDI to invest in an automated phone service.
- 97% of respondents feel WDI is an approachable offering pleasant, friendly, and welcoming service.
- 63% of customers indicated they were not aware of consumption data being available online
- 65% of customers have not had any communication with WDI during the last 12 months
- 84% of respondents indicated that WDI was good to excellent at communicating with them
- 28% of customers were not aware that WDI offered e-billing
- 97% of respondents indicated WDI is a respected company in the community.

WDI allowed for open ended comments in the survey. Some of the trends WDI saw identified through customer comments were: having difficulty with our website, Customer Connect, e-billing services and certain payment options.

**Home and Garden Contest Surveys:**

WDI ask customers up to five questions that usually pertain to general awareness of new technology and conservation initiatives. WDI has used this information to promote and market e-billing, customer connect, and energy conservation initiatives for the residential and small commercial customers. WDI always allows customer comments and will respond to any comments that require responding to.

**Phone, E-mail and Customer Counter Survey (405 Responses):**

After the completion of WDI's first draft of this rate application WDI sought additional input from the residential customers (finalized September 9, 2015) regarding the potential increase of the distribution charges that WDI will be seeking for this rate application.

- 6.39 was the average opposition on a scale of 1-10, with 10 being strongly opposed to a $2.25 monthly increase on distribution charges
- 5.72 was the average opposition on a scale of 1-10, with 10 being strongly opposed to a $2.25 monthly increase on distribution charges knowing that WDI is considered one of the most efficient, with some of the lowest distribution charges in the province.

WDI allowed for open ended comments in the survey.

## Ex.1/Tab 5/Sch.3 – Front Desk Support

WDI currently maintains front desk support allowing the customer and the utility to interact on a direct basis. Social interaction is still one of the best ways to be in close contact with the customer including WDI's senior population. People love being heard and they love giving feedback, which is conveniently done when paying your electrical bill at the front counter of your local utility. WDI has implemented a computer centre for customers and staff to use to assist customers, if needed, in learning about WDI's newer technologies available to them.

With a front desk, information is exchanged regularly with every customer interaction. Data gathered though these interactions can then be used to improve business outcomes. In this sense, front desk staff becomes pivotal to the business and bridges the gap between the customer and other utility staff. WDI plans on continuing its front desk operations as a form of customer engagement and to ensure expected customer service levels are maintained.

## Ex.1/Tab 5/Sch.4 – Publications

The majority of WDI's customers receive a physical bill in the mail, and WDI takes advantage of this opportunity communicate additional information via messages on the outside of the envelope, separate inserts, and messages on the bill itself. Many of these messages are coordinated with announcements from the OEB, IESO, and other agencies, and include information about retailers, rate changes, conservation and demand management programs, electrical safety, and references to our website.

## Ex.1/Tab 5/Sch.5 – Conservation and Demand Management

Conservation and Demand Management ("CDM") work conducted by WDI includes a number of initiatives that involves outreach to our customers. Reaching out to customers through CDM programs helps customers to better understand their local utility, while they become more knowledgeable about energy conservation. WDI continues to participate in a number of community events to highlight CDM program offerings.

In addition to the above, a number of customers have express the need for extra consultation and assistance with various CDM programs. In response to this, utility staff makes direct contact with customers to assist them with their concerns and/or CDM program applications on an individual basis. These efforts provide a communication channel to energy conscious customers so that the needs and desires of these customers are better understood and addressed.

One extremely important CDM initiative that WDI has undertaken for the past several years is that of the Roving Energy Manager (REM) program. CHEC Association Members, including WDI, currently share a REM across their respective distribution territories in order to make this position as cost effective as possible. Key areas of responsibility for the REM include performing site visits, assessing potential areas for energy savings, and providing written reports where required.

The REM has been instrumental in assisting WDI with meeting its CDM goals and objectives, while engaging WDI's commercial customers. Under the REM program, a mutually beneficial relationship is created whereby the needs and wants of the utilities larger customers are satisfied through CDM offerings, while the REM becomes a significant resource of knowledge to the utility. At the present time, WDI expects the REM program to continue into the foreseeable future.

## Ex.1/Tab 5/Sch.6 – Community Involvement

It is important to WDI and its Shareholders that its employees support and give back to their community, and as such the utility participates in several community projects and events (at no cost to ratepayers) such as:

- Christmas Parade: WDI has participated in the annual Christmas Parade.
- YMCA Strong Kids Campaign: WDI has participated in the local YMCA Strong Kids Campaign.
- Toys for Kids: WDI participates every year in the Toys for Kids Christmas Drive by donating money collected through payroll deductions.
- Run for a Cure: WDI has participated in Run for the Cure
- ALS Ice Bucket Challenge: WDI has participated in the ALS Ice Bucket Challenge.

All of these events are driven through WRSI and supported by the staff of WRSI and no costs from these activities are included in this rate application.

## Ex.1/Tab 5/Sch.7 – Social Services

Financial Assistance Program: WDI provides support through partnerships with the province's Low-income Energy Assistance Program (LEAP) program. Both of these emergency financial assistance programs are designed to help low-income customers who have difficulty making their electricity bill payments.

# Ex.1/Tab 5/Sch.8 – Other Engagement Activities

**Other Customer Activities Include:**

- Regional Planning Engagement
- Contractor Association Meetings
- E-billing/Customer Connect – Online Services
- Education – Customers, school programs, etc.
- Outage Notification – Planned
- Forming alliances with other industry companies to improve service, reduce costs
- Website

## Ex.1/Tab 5/Sch.9 – Incorporating Customer Engagement in WDI's Application

Main issues identified through WDI's Customer Engagement include:

- Impact on rate increases
- General Awareness, or lack thereof
- Ease of understanding new technology implementation

According to the 2014 PEG report, WDI continues to perform well with a "cost per customer" of $423 of which is ranked 3rd lowest in the province and a cost per kilometer of line at $19,328 of which is ranked 15th lowest in the province. Overall efficiency rating of -40.3% is ranked 2nd best in the province and WDI has been assigned to Cohort I. When WDI's OM&A costs for 2016 are approved; WDI's overall cohort ranking will remain the same.

WDI has prepared the DSP ensuring capital expenditures are stable over the forecast period while undertaking a significant replacement program to ensure WDI is able to maintain current reliability levels. This aligns with WDI's strategic directives.

WDI's customer engagement activities are not projected to be a significant cost borne by the rate payer, although WDI intends to use costs already proposed in this application to increase general awareness, mostly through increase use of bill inserts for customer education and advertising.

WDI has planned for the revision of its website to allow for enhanced integration to WDI's e-billing and customer connect service. This has been an issue identified from customers and brought forward to management. WDI has also decided to maintain their computer centre to enhance customer experiences through these technology changes.

WDI informed their customers of the proposed rate increase being considered after the first draft of this application was completed. Customers moderately opposed a rate increase, but they were slightly more willing to accept one considering WDI's high efficiency and low rates in the Province of Ontario.

WDI is aware that customers are sensitive to the cost of electricity and have stated the impact that costs do have to our residential customer class. However, WDI's proposed 2016 revenue requirement is needed to remain in compliance with its regulators and meet its mandate and commitment to provide safe, reliable cost-effective services and products achieving sustainable growth while respecting the community and the environment.

WDI did an analysis comparing the percentage WDI's rates since May 1, 2010 to the proposed rates for May 1, 2016 to the overall cost of power during the same period. Overall, WDI proposed May 1, 2016 rates have projected to increase by approximately 11% since May 1, 2010 while during the same period the cost of power is projected to increase by approximately 53%. To some extent WDI feels that the moderate opposition stems from the large increase that is beyond WDI's control. WDI feels that although surveys have provided good feedback, there is a lack of two way communication and proper education being done on behalf of WDI. Going forward WDI intends to address the lack of education to our customers with presentations to local service groups and bill insets in conjunction with bi-annual surveys.

Overall, WDI's Board of Directors has emphasised to staff that customer service and focus is the key to our business going forward and WDI feels that this rate application addresses these issues in the most cost effective manner.

# Financial Information

## Ex.1/Tab 6/Sch.1 - Historical Financial Statements

The following attachments are presented in this next section.

- Attachment C Year ended 31 December, 2013
- Attachment D Year ended 31 December, 2014

## Ex.1/Tab 6/Sch.2 - Reconciliation between Financial Statements and Results Filed

WDI has no reconciliation items between the financial results shown in WDI's RRR filings, Audited Financial Statements and with the regulatory financial results filed in the application is presented on the following pages.

**Table 1.13: 2012 Balance Sheet Reconciliation RRR Filing to Financial Statement**

| | | Wasaga Distribution Inc.<br>Filing 2.1.13<br>Uniform System of Accounts Mapped<br>& Reconciled to Financial Statements | | | |
|---|---|---|---|---|---|
| **Assets** | | | **Filing 2.1.7** | | |
| Current | | Amount | Account(s) | Amount | Total |
| | Cash | 2,026,425.00 | 1005 | 2,026,224.92 | 2,026,424.92 |
| | | | 1010 | 200.00 | |
| | Accounts Receivable | 1,657,375.00 | 1100 | 1,463,820.85 | 1,657,374.48 |
| | | | 1102 | 1,233.36 | |
| | | | 1110 | 172,331.54 | |
| | | | 1130 | -100,135.40 | |
| | | | 1190 | 120,124.21 | |
| | Unbilled Revenue | 1,246,872.00 | 1120 | 1,246,871.60 | 1,246,871.60 |
| | Prepaid Expenses | 102,805.00 | 1180 | 102,805.48 | 102,805.48 |
| | Due From Wasaga Resource Services | 3,316,355.00 | 1200 | 3,316,654.52 | 3,316,354.52 |
| | Taxes Recoverable | 133,089.00 | 2294 | 133,089.17 | 133,089.17 |
| | | 8,482,921.00 | | | 8,482,920.17 |
| Property, Plant & Equipment | | | | | |
| | Land | 616,620.00 | 1005 | 121,775.03 | 616,620.12 |
| | | | 1806 | 5,512.00 | |
| | | | 1905 | 489,333.09 | |
| | Buildings | 1,021,270.00 | 1908 | 1,021,269.72 | 1,021,269.72 |
| | Distribution Stations | 3,244,414.00 | 1820 | 3,244,413.58 | 3,244,413.58 |
| | Distribution Lines - Overhead | 7,312,133.00 | 1830 | 3,477,071.46 | 7,312,132.61 |
| | | | 1835 | 3,835,061.15 | |
| | Distribution Lines - Underground | 5,398,317.00 | 1840 | 270,398.32 | 5,398,317.43 |
| | | | 1845 | 5,127,919.11 | |
| | Distribution Transformers | 4,261,286.00 | 1850 | 4,261,285.64 | 4,261,285.64 |
| | Distribution Services | 5,715,328.00 | 1855 | 3,890,978.83 | 5,715,327.90 |
| | | | 1860 | 1,785,454.14 | |
| | | | 1980 | 40,942.03 | |
| | | | 2105 | -2,047.10 | |
| | Equipment Under Capital Lease | 126,793.00 | 2005 | 126,793.16 | 126,793.16 |
| | Construction In Progress | 376,814.00 | 2055 | 376,813.93 | 376,813.93 |
| | Contributions in Aid of Construction | -5,629,198.00 | 1995 | -5,629,197.05 | -5,629,197.05 |
| | | 22,443,777.00 | | | 22,443,776.24 |
| | Accumulated Amortization | -11,506,273.00 | 2105 | | -11,506,272.82 |
| | | 10,937,504.00 | | | 10,937,503.42 |
| Other | | | | | |
| | Investment in UCS | 100.00 | 1070 | 100.00 | 100.00 |
| | Intangible Asset | 121,426.00 | 1925 | 140,375.00 | 121,425.82 |
| | | | 2120 | -18,949.18 | |
| | Future Taxes Recoverable | 134,704.00 | 2350 | 134,704.00 | 134,704.00 |
| | | 256,230.00 | | | 256,229.82 |
| | | **19,676,655.00** | | | **19,676,653.41** |
| **Liabilities** | | | | | |
| Current | | | | | |
| | Accounts Payable & Accruals | 2,419,862.00 | 2205 | -1,944,367.57 | -2,419,858.55 |
| | | | 2208 | -158,551.95 | |
| | | | 2220 | -307,936.74 | (not included -206,441.00) |
| | | | 2250 | -0.05 | |
| | | | 2252 | -9,317.00 | |
| | | | 2292 | 315.56 | |
| | Customer Deposits | 133,718.00 | 2210 | -72,953.42 | -133,717.72 |
| | | | 2335 | -60,764.30 | |
| | Current portion of equipment under cap lease | 24,220.00 | 2205 | -24,219.77 | -24,219.77 |
| | | 2,553,580.00 | | | -2,553,576.27 |
| Long-term | | | | | |
| | Due to Developers | 206,441.00 | 2220 | -206,441.00 | -206,441.00 |
| | Equipment Under Capital Lease | 79,397.00 | 2325 | -79,396.63 | -79,396.63 |
| | Note Payable to Town | 3,593,269.00 | 2550 | -3,593,268.52 | -3,593,268.52 |
| | Other | 2,968,225.00 | 1550 | 36,265.71 | -2,968,223.83 |
| | | | 1555 | 314,390.33 | |
| | | | 1563 | 365,534.75 | |
| | | | 1568 | 4,214.38 | |
| | | | 1580 | -159,408.50 | |
| | | | 1584 | -188,952.20 | |
| | | | 1586 | -111,027.00 | |
| | | | 1588 | -758,308.87 | |
| | | | 1589 | 376,885.46 | |
| | | | 1592 | 4,062.43 | |
| | | | 1595 | -2,051,879.52 | |
| | | 6,847,332.00 | | | -6,847,329.98 |
| Total Liabilities | | 9,400,912.00 | | | -9,400,906.25 |
| **Shareholder's Equity** | | | | | |
| | Capital Stock - Common Shares | 100.00 | 3005 | -100.00 | -100.00 |
| | Retained Income | 5,075,955.00 | 3045 | -4,792,384.66 | -5,075,958.90 |
| | | | 3049 | 400,000.00 | |
| | | | 3046 | -683,574.24 | |
| | | 5,076,055.00 | | | -5,076,058.90 |
| Total Liabilities & Shareholder's Equity | | **14,476,967.00** | | | **-14,476,965.15** |

## Table 1.13: 2012 Income Statement Reconciliation RRR Filing to Financial Statement

| | | | Filing 2.1.7 | | |
|---|---|---|---|---|---|
| **Revenue** | | Amount | Account(s) | Amount | Total |
| | Sale of Power | 11,234,637.00 | 4006 | -6,077,081.37 | -11,234,636.89 |
| | | | 4025 | -115,600.72 | |
| | | | 4035 | -2,376,382.30 | |
| | | | 4055 | -688,105.87 | |
| | | | 4062 | -664,413.94 | |
| | | | 4066 | -704,730.15 | |
| | | | 4068 | -426,634.45 | |
| | | | 4075 | -181,688.09 | |
| | Distribution Services | 4,027,806.00 | 4080 | -3,978,819.72 | -4,027,806.11 |
| | | | 4082 | -9,278.00 | |
| | | | 4084 | -354.25 | |
| | | | 4086 | -39,354.14 | |
| | | 15,262,443.00 | | | -15,262,443.00 |
| | Cost of Power | 11,234,637.00 | 4705 | 9,257,170.26 | 11,234,636.89 |
| | | | 4708 | 664,413.94 | |
| | | | 4714 | 704,730.15 | |
| | | | 4716 | 426,634.45 | |
| | | | 4750 | 181,688.09 | |
| Distribution Income | | 4,027,806.00 | | | -4,027,806.11 |
| **Other Operating Revenue** | | | | | |
| | Rental | 296,023.00 | 4210 | -296,023.34 | -296,023.34 |
| | Other | 291,288.00 | 4215 | -5,545.86 | -291,287.79 |
| | | | 4225 | -30,948.22 | |
| | | | 4235 | -114,733.18 | |
| | | | 4355 | -8,740.98 | |
| | | | 4360 | 59,739.00 | |
| | | | 4390 | -70,258.69 | |
| | | | 4405 | -120,799.86 | |
| Total Revenue | | 4,615,117.00 | | | -4,615,117.24 |
| **Expenses** | | | | | |
| | Administration Charges | 2,467,435.00 | Distributior | 74,969.02 | 2,467,434.96 |
| | | | Distributior | 730,689.05 | |
| | | | Billing and | 1,005,997.81 | |
| | | | 5410 | 11,652.03 | |
| | | | Admin & General Expenses | | |
| | | | 5610 | 339,538.76 | |
| | | | 5615 | 204,095.88 | |
| | | | 5620 | 51,767.75 | |
| | | | 5660 | 0.00 | |
| | | | 5675 | 42,655.34 | |
| | | | 5680 | 6,069.32 | |
| | | | 5685 | 0.00 | |
| | Amortization | 790,892.00 | 5705 | 781,549.68 | 790,892.28 |
| | | | 5715 | 9,342.60 | |
| | Management Costs | 79,952.00 | 5605 | 44,249.01 | 79,951.53 |
| | | | 5625 | 35,702.52 | |
| | Regulatory | 60,951.00 | 5655 | 60,950.51 | 60,950.51 |
| | Interest | 263,962.00 | 6030 | 158,463.16 | 263,962.02 |
| | | | 6035 | 105,498.86 | |
| | Other | 210,398.00 | 5630 | 77,508.58 | 210,398.37 |
| | | | 5635 | 11,589.48 | |
| | | | 5665 | 92,170.45 | |
| | | | 6105 | 24,669.90 | |
| | | | 6205 | 4,459.96 | |
| | | | 6215 | 0.00 | |
| Total Expenses | | 3,873,590.00 | | | 3,873,589.67 |
| Provision for (recovery of) Taxes | | | | | |
| | Current | 9,552.00 | 6110 | 9,552.33 | 9,552.33 |
| | Future | 48,401.00 | 6115 | 48,401.00 | 48,401.00 |
| | | 57,953.00 | | | 57,953.33 |
| **Net Income for Year** | | **683,574.00** | | | **-683,574.24** |
| Dividends | | -400,000.00 | 3049 | | 400,000.00 |

**Table 1.14: 2013 Balance Sheet Reconciliation RRR Filing to Financial Statement**

| | | | Filing 2.1.7 | | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current | | Amount | Account(s) | Amount | Total |
| | Cash | 3,805,438.00 | 1005 | 1,305,237.60 | 3,805,437.60 |
| | | | 1010 | 200.00 | |
| | | | 1060 | 2,500,000.00 | |
| | Accounts Receivable | 1,674,678.00 | 1100 | 1,599,939.98 | 1,674,677.89 |
| | | | 1102 | 916.03 | |
| | | | 1110 | 39,200.00 | |
| | | | 1130 | -76,220.19 | |
| | | | 1190 | 131,724.90 | |
| | | | 2205 | -20,882.83 | |
| | Unbilled Revenue | 1,696,018.00 | 1120 | 1,696,017.65 | 1,696,017.65 |
| | Prepaid Expenses | 121,217.00 | 1180 | 121,216.84 | 121,216.84 |
| | Taxes Recoverable | 128,258.00 | 2294 | 128,258.00 | 128,258.00 |
| | | 7,425,609.00 | | | 7,425,607.98 |
| Property, Plant & Equipment | | | | | |
| | Land | 645,041.00 | 1805 | 121,775.03 | 645,040.74 |
| | | | 1806 | 5,512.00 | |
| | | | 1905 | 517,753.71 | |
| | Buildings | 1,486,024.00 | 1908 | 1,486,023.83 | 1,486,023.83 |
| | Distribution Stations | 3,329,020.00 | 1820 | 3,329,019.59 | 3,329,019.59 |
| | Distribution Lines - Overhead | 7,534,904.00 | 1830 | 3,579,520.04 | 7,534,903.00 |
| | | | 1835 | 3,955,463.04 | |
| | Distribution Lines - Underground | 5,758,895.00 | 1840 | 310,760.82 | 5,758,894.80 |
| | | | 1845 | 5,448,133.98 | |
| | Distribution Transformers | 4,536,609.00 | 1850 | 4,536,609.02 | 4,536,609.02 |
| | Distribution Services | 6,222,224.00 | 1855 | 4,235,704.07 | 6,222,224.00 |
| | | | 1860 | 1,945,742.33 | |
| | | | 1980 | 47,072.52 | |
| | | | 2105 | -6,294.92 | |
| | Equipment Under Capital Lease | 126,793.00 | 2005 | | 126,793.16 |
| | Construction In Progress | 0.00 | 2055 | | 0.00 |
| | Contributions in Aid of Construction | -6,352,712.00 | 1995 | | -6,352,712.24 |
| | | 23,286,878.00 | | | 23,286,876.78 |
| | Accumulated Amortization | -12,040,665.00 | 2105 | | -12,040,664.62 |
| | | 11,246,213.00 | | | 11,246,212.16 |
| Other | | | | | |
| | Investment in UCS | 9,150.00 | 1405 | 9,150.40 | 9,150.40 |
| | Intangible Asset | 107,647.00 | 1925 | 140,375.00 | 107,646.59 |
| | | | 2120 | -32,728.41 | |
| | Future Taxes Recoverable | 143,879.00 | 2350 | 143,879.00 | 143,879.00 |
| | | 260,676.00 | | | 260,675.99 |
| | | **18,932,498.00** | | | **18,932,496.13** |
| **Liabilities** | | | | | |
| Current | | | | | |
| | Accounts Payable & Accruals | 3,050,097.00 | 2205 | -2,477,377.86 | -3,050,097.00 |
| | | | 2208 | -140,868.82 | |
| | | | 2220 | -422,532.52 | |
| | | | 2252 | -9,317.00 | |
| | | | 2292 | 0.00 | |
| | Customer Deposits | 127,907.00 | 2210 | -35,730.53 | -127,907.30 |
| | | | 2335 | -92,176.77 | |
| | Current portion of equipment under cap lease | 25,310.00 | 2285 | -25,309.77 | -25,309.77 |
| | | 3,203,314.00 | | | -3,203,314.07 |
| Long-term | | | | | |
| | Due to Developers | 217,991.00 | 2220 | -217,990.52 | -217,990.52 |
| | Equipment Under Capital Lease | 54,087.00 | 2325 | -54,086.86 | -54,086.86 |
| | Note Payable to Town | 3,593,269.00 | 2550 | -3,593,268.52 | -3,593,268.52 |
| | Regulatory | 1,719,074.00 | 1550 | 101,720.54 | -1,719,074.47 |
| | | | 1551 | 5,545.25 | |
| | | | 1555 | -6,980.35 | |
| | | | 1563 | 5,264.51 | |
| | | | 1568 | 200.59 | |
| | | | 1580 | -242,778.71 | |
| | | | 1584 | -146,766.05 | |
| | | | 1586 | -209,733.59 | |
| | | | 1588 | -812,131.81 | |
| | | | 1589 | 814,200.81 | |
| | | | 1592 | 2,758.64 | |
| | | | 1595 | -1,230,374.30 | |
| | | 5,584,421.00 | | | -5,584,420.37 |
| Total Liabilities | | 8,787,735.00 | | | -8,787,734.44 |
| **Shareholder's Equity** | | | | | |
| | Capital Stock - Common Shares | 100.00 | 3005 | -100.00 | -100.00 |
| | Retained Income | 4,969,195.00 | 3045 | -5,075,954.90 | -10,144,663.65 |
| | | | 3046 | -293,240.26 | |
| | | | 3049 | 400,000.00 | |
| | Miscellaneous paid-in capital | 5,175,468.00 | 3030 | -5,175,468.49 | |
| | | 10,144,763.00 | | | -10,144,763.65 |
| Total Liabilities & Shareholder's Equity | | **18,932,498.00** | | | **-18,932,498.09** |

## Table 1.14: 2013 Income Statement Reconciliation RRR Filing to Financial Statement

| | | | Filing 2.1.7 | | |
|---|---|---|---|---|---|
| **Revenue** | | Amount | Account(s) | Amount | Total |
| | Sale of Power | 13,040,219.00 | 4006 | -7,174,907.26 | -13,040,219.25 |
| | | | 4025 | -153,698.35 | |
| | | | 4035 | -2,749,961.74 | |
| | | | 4055 | -678,120.19 | |
| | | | 4062 | -696,611.90 | |
| | | | 4066 | -819,463.39 | |
| | | | 4068 | -460,502.18 | |
| | | | 4075 | -225,012.21 | |
| | | | 4076 | -81,942.03 | |
| | Distribution Services | 3,233,773.00 | 4080 | -3,188,830.34 | -3,233,773.12 |
| | | | 4082 | -7,342.20 | |
| | | | 4084 | -457.75 | |
| | | | 4086 | -37,142.83 | |
| | | 16,273,992.00 | | | -16,273,992.37 |
| | Cost of Power | 13,040,219.00 | 4705 | 9,193,972.06 | 13,040,219.25 |
| | | | 4707 | 1,562,715.48 | |
| | | | 4708 | 696,611.90 | |
| | | | 4714 | 819,463.39 | |
| | | | 4716 | 460,502.18 | |
| | | | 4750 | 225,012.21 | |
| | | | 4751 | 81,942.03 | |
| Distribution Income | | 3,233,773.00 | | | -3,233,773.12 |
| **Other Operating Revenue** | | | | | |
| | Rental | 308,202.00 | 4210 | -308,201.74 | -308,201.74 |
| | Other | 205,867.00 | 4215 | -5,995.54 | -205,867.43 |
| | | | 4225 | -28,226.96 | |
| | | | 4235 | -107,085.09 | |
| | | | 4355 | -6,051.05 | |
| | | | 4360 | 7,607.21 | |
| | | | 4390 | -4,052.62 | |
| | | | 4405 | -62,063.38 | |
| Total Revenue | | 3,747,842.00 | | | -3,747,842.29 |
| **Expenses** | | | | | |
| | Administration & General | 1,053,973.00 | 5605 | 52,975.55 | 1,053,972.72 |
| | | | 5610 | 336,823.83 | |
| | | | 5615 | 261,423.42 | |
| | | | 5620 | 52,994.57 | |
| | | | 5625 | 50,369.89 | |
| | | | 5630 | 74,894.31 | |
| | | | 5635 | 13,053.96 | |
| | | | 5655 | 59,601.72 | |
| | | | 5660 | 250.00 | |
| | | | 5665 | 103,170.37 | |
| | | | 5675 | 42,071.60 | |
| | | | 5680 | 6,343.50 | |
| | Amortization | 565,048.00 | 5705 | 551,268.98 | 565,048.21 |
| | | | 5715 | 13,779.23 | |
| | Billing & Collecting | 861,285.00 | 5310 | 132,675.34 | 861,285.21 |
| | | | 5315 | 421,649.59 | |
| | | | 5320 | 307,664.97 | |
| | | | 5325 | 0.00 | |
| | | | 5330 | -704.69 | |
| | | | 5335 | 0.00 | |
| | Community Relations | 4,804.00 | 5410 | 4,803.58 | 4,803.58 |
| | Distribution Expenses - Maintenance | 708,239.00 | 5105 | 2,010.97 | 708,238.99 |
| | | | 5120 | 23,650.06 | |
| | | | 5125 | 236,673.55 | |
| | | | 5130 | 48,959.42 | |
| | | | 5135 | 181,220.46 | |
| | | | 5150 | 106,310.59 | |
| | | | 5155 | 47,055.78 | |
| | | | 5160 | 33,714.65 | |
| | | | 5175 | 28,643.51 | |
| | Distribution Expenses - Operation | 68,206.00 | 5010 | 7,720.00 | 68,206.01 |
| | | | 5016 | 20,854.34 | |
| | | | 5017 | 8,465.10 | |
| | | | 5025 | 0.00 | |
| | | | 5065 | 0.00 | |
| | | | 5070 | 30,963.77 | |
| | | | 5075 | 202.80 | |
| | Interest | 185,957.00 | 6030 | 148,042.68 | 185,957.45 |
| | | | 6035 | 37,914.77 | |
| | Other | 4,762.00 | 6205 | 4,761.53 | 4,761.53 |
| | Property Taxes | 26,361.00 | 6105 | 26,361.33 | 26,361.33 |
| Total Expenses | | 3,478,635.00 | | | 3,478,635.03 |
| Provision for (recovery of) Taxes | | | | | |
| | Current | -14,858.00 | 6110 | -14,858.00 | -14,858.00 |
| | Future | -9,175.00 | 6115 | -9,175.00 | -9,175.00 |
| | | -24,033.00 | | | -24,033.00 |
| **Net Income for Year** | | **293,240.00** | | | **-293,240.26** |
| Dividends | | -400,000.00 | 3049 | 400,000.00 | 400,000.00 |

## Table 1.15: 2014 Balance Sheet Reconciliation RRR Filing to Financial Statement

| | | | Filing 2.1.7 | | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current | | Amount | Account(s) | Amount | Total |
| | Cash | 2,317,483.00 | 1005 | 2,317,183.23 | 2,317,483.23 |
| | | | 1010 | 300.00 | |
| | | | 1060 | 0.00 | |
| | Accounts Receivable | 2,000,295.00 | 1100 | 1,674,765.72 | 2,000,295.07 |
| | | | 1102 | 0.00 | |
| | | | 1110 | 263,000.86 | |
| | | | 1130 | -62,803.18 | |
| | | | 1190 | 125,331.67 | |
| | Unbilled Revenue | 1,626,113.00 | 1120 | 1,626,112.58 | 1,626,112.58 |
| | Prepaid Expenses | 49,723.00 | 1180 | 49,722.66 | 49,722.66 |
| | Taxes Recoverable | 0.00 | 2294 | 0.00 | 0.00 |
| | | 5,993,614.00 | | | 5,993,613.54 |
| Property, Plant & Equipment | | | | | |
| | Land | 736,285.00 | 1805 | 121,775.03 | 736,285.26 |
| | | | 1806 | 5,512.00 | |
| | | | 1905 | 608,998.23 | |
| | Buildings | 1,490,650.00 | 1908 | 1,490,649.63 | 1,490,649.63 |
| | Distribution Stations | 3,380,805.00 | 1820 | 3,380,804.65 | 3,380,804.65 |
| | Distribution Lines - Overhead | 8,036,541.00 | 1830 | 4,027,184.10 | 8,036,540.95 |
| | | | 1835 | 4,009,356.85 | |
| | Distribution Lines - Underground | 6,265,457.00 | 1840 | 341,940.82 | 6,265,456.66 |
| | | | 1845 | 5,923,515.84 | |
| | Distribution Transformers | 4,857,030.00 | 1850 | 4,857,030.40 | 4,857,030.40 |
| | Distribution Services | 6,566,131.00 | 1855 | 4,578,757.27 | 6,566,131.21 |
| | | | 1860 | 1,950,996.70 | |
| | | | 1980 | 47,072.52 | |
| | | | 2105 | -10,695.28 | |
| | Equipment Under Capital Lease | 126,793.00 | 2005 | | 126,793.16 |
| | Construction In Progress | 31,271.00 | 2055 | | 31,270.85 |
| | Contributions in Aid of Construction | -7,030,589.00 | 1995 | | -7,030,588.69 |
| | | 24,460,374.00 | | | 24,460,374.08 |
| | Accumulated Amortization | -12,582,773.00 | 2105 | | -12,582,772.31 |
| | | 11,877,601.00 | | | 11,877,601.77 |
| Other | | | | | |
| | Long-term Investments | 9,150.00 | 1405 | 9,150.40 | 9,150.40 |
| | Intangible Asset | 93,867.00 | 1925 | 140,375.00 | 93,867.36 |
| | | | 2120 | -46,507.64 | |
| | Future Taxes Recoverable | 158,547.00 | 2350 | 158,547.00 | 158,547.00 |
| | | 261,564.00 | | | 261,564.76 |
| | | **18,132,779.00** | | | **18,132,780.07** |
| **Liabilities** | | | | | |
| Current | | | | | |
| | Accounts Payable & Accruals | 3,323,970.00 | 2205 | -2,929,234.53 | -3,323,965.01 |
| | | | 2208 | -245,413.94 | |
| | | | 2220 | -138,751.72 | |
| | | | 2252 | -9,317.80 | |
| | | | 2290 | -911.86 | |
| | | | 2292 | -335.16 | |
| | Customer Deposits | 27,604.00 | 2210 | -27,603.68 | -27,603.68 |
| | Taxes payable | 6,655.00 | 2294 | -6,655.00 | -6,655.00 |
| | Current portion of equipment under cap lease | 26,449.00 | 2285 | -26,448.76 | -26,448.76 |
| | | 3,384,678.00 | | | -3,384,672.45 |
| Long-term | | | | | |
| | Due to Developers | 229,112.00 | 2220 | -229,112.13 | -229,112.13 |
| | Customer deposits | 114,370.00 | 2335 | -114,369.70 | -114,369.70 |
| | Equipment Under Capital Lease | 27,638.00 | 2325 | -27,638.15 | -27,638.15 |
| | Note Payable to Town | 3,593,269.00 | 2550 | -3,593,268.52 | -3,593,268.52 |
| | Regulatory | 379,036.00 | 1550 | 137,819.47 | -379,037.37 |
| | | | 1551 | 378.32 | |
| | | | 1555 | -7,104.12 | |
| | | | 1563 | 4,315.01 | |
| | | | 1568 | 10,192.40 | |
| | | | 1580 | -80,563.92 | |
| | | | 1584 | -40,212.87 | |
| | | | 1586 | -299,653.32 | |
| | | | 1588 | -109,082.29 | |
| | | | 1589 | 693,295.78 | |
| | | | 1592 | 1,530.52 | |
| | | | 1595 | -689,952.35 | |
| | | 4,343,425.00 | | | -4,343,425.87 |
| Total Liabilities | | 7,728,103.00 | | | -7,728,098.32 |
| **Shareholder's Equity** | | | | | |
| | Capital Stock - Common Shares | 100.00 | 3005 | -100.00 | -100.00 |
| | Retained Income | 5,229,108.00 | 3045 | -4,969,199.16 | -10,404,581.75 |
| | | | 3046 | -459,914.10 | |
| | | | 3049 | 200,000.00 | |
| | Miscellaneous paid-in capital | 5,175,468.00 | 3030 | -5,175,468.49 | |
| | | 10,404,676.00 | | | -10,404,681.75 |
| Total Liabilities & Shareholder's Equity | | **18,132,779.00** | | | **-18,132,780.07** |

## Table 1.15: 2014 Income Statement Reconciliation RRR Filing to Financial Statement

| | | | Filing 2.1.7 | | |
|---|---|---|---|---|---|
| **Revenue** | | Amount | Account(s) | Amount | Total |
| | Sale of Power | 14,506,669.00 | 4006 | -8,330,916.68 | -14,506,668.63 |
| | | | 4025 | -165,224.47 | |
| | | | 4035 | -2,990,271.61 | |
| | | | 4055 | -592,428.83 | |
| | | | 4062 | -760,326.79 | |
| | | | 4066 | -867,553.74 | |
| | | | 4068 | -454,555.84 | |
| | | | 4075 | -226,944.07 | |
| | | | 4076 | -118,446.60 | |
| | Distribution Services | 3,613,858.00 | 4080 | -3,566,724.10 | -3,613,858.10 |
| | | | 4082 | -8,941.30 | |
| | | | 4084 | -249.50 | |
| | | | 4086 | -37,943.20 | |
| | | 18,120,527.00 | | | -18,120,526.73 |
| | Cost of Power | 14,506,669.00 | 4705 | 10,711,677.77 | 14,506,668.63 |
| | | | 4707 | 1,367,163.82 | |
| | | | 4708 | 760,326.79 | |
| | | | 4714 | 867,553.74 | |
| | | | 4716 | 454,555.84 | |
| | | | 4750 | 226,944.07 | |
| | | | 4751 | 118,446.60 | |
| Distribution Income | | 3,613,858.00 | | | -3,613,858.10 |
| **Other Operating Revenue** | | | | | |
| | Rental | 304,539.00 | 4210 | -304,539.21 | -304,539.21 |
| | Other | 179,791.00 | 4215 | -284.97 | -179,790.96 |
| | | | 4225 | -32,119.98 | |
| | | | 4235 | -117,991.95 | |
| | | | 4360 | 5,676.33 | |
| | | | 4390 | -710.80 | |
| | | | 4405 | -34,359.59 | |
| Total Revenue | | 4,098,188.00 | | | -4,098,188.27 |
| **Expenses** | | | | | |
| | Administration & General | 1,087,760.00 | 5605 | 48,176.54 | 1,087,760.34 |
| | | | 5610 | 380,368.28 | |
| | | | 5615 | 273,352.40 | |
| | | | 5620 | 56,255.36 | |
| | | | 5625 | 51,922.68 | |
| | | | 5630 | 42,537.00 | |
| | | | 5635 | 15,477.48 | |
| | | | 5655 | 61,087.91 | |
| | | | 5660 | 658.00 | |
| | | | 5665 | 106,009.92 | |
| | | | 5675 | 45,268.81 | |
| | | | 5680 | 6,645.96 | |
| | Amortization | 597,388.00 | 5705 | 583,608.76 | 597,387.99 |
| | | | 5715 | 13,779.23 | |
| | Billing & Collecting | 941,897.00 | 5310 | 136,779.05 | 941,896.79 |
| | | | 5315 | 471,083.26 | |
| | | | 5320 | 309,688.14 | |
| | | | 5325 | 63.69 | |
| | | | 5330 | -717.35 | |
| | | | 5335 | 25,000.00 | |
| | Community Relations | 7,473.00 | 5410 | 7,472.90 | 7,472.90 |
| | Distribution Expenses - Maintenance | 720,468.00 | 5105 | 1,522.12 | 720,467.62 |
| | | | 5120 | 7,761.33 | |
| | | | 5125 | 233,206.59 | |
| | | | 5130 | 44,128.66 | |
| | | | 5135 | 216,552.25 | |
| | | | 5150 | 96,208.03 | |
| | | | 5155 | 68,368.51 | |
| | | | 5160 | 21,826.87 | |
| | | | 5175 | 30,893.26 | |
| | Distribution Expenses - Operation | 56,210.00 | 5010 | 787.50 | 56,210.23 |
| | | | 5016 | 15,521.71 | |
| | | | 5017 | 1,982.94 | |
| | | | 5070 | 36,378.17 | |
| | | | 5075 | 1,539.91 | |
| | Interest | 165,331.00 | 6030 | 151,727.93 | 165,330.65 |
| | | | 6035 | 13,602.72 | |
| | Other | 4,762.00 | 6205 | 4,761.53 | 4,761.53 |
| | Property Taxes | 27,199.00 | 6105 | 27,199.12 | 27,199.12 |
| Total Expenses | | 3,608,488.00 | | | 3,608,487.17 |
| Provision for (recovery of) Taxes | | | | | |
| | Current | 44,455.00 | 6110 | 44,455.00 | 44,455.00 |
| | Future | -14,668.00 | 6115 | -14,668.00 | -14,668.00 |
| | | 29,787.00 | | | 29,787.00 |
| **Net Income for Year** | | **459,913.00** | | | **-459,914.10** |
| Dividends | | -200,000.00 | 3049 | 200,000.00 | 200,000.00 |

## Ex.1/Tab 6/Sch.3 - Annual Report

WDI does not publish an annual report to its shareholders. Financial statements are presented yearly to the shareholder in a special meeting.

## Ex.1/Tab 6/Sch.4 - Prospectus and Recent Debt/Share Issuance Update

WDI does not issue debt or share nor do they publish any prospectus.

# Ex.1/Tab 6/Sch.5 - Other Relevant Information

**Tax Status:**

WDI is not seeking any changes to its tax status in this application.

**Existing/Proposed Accounting Orders:**

The Account Standard ("AcSB") deferred mandatory adoption of IFRS for qualifying rate-regulated entities to January 1, 2016. However, per the Board's letter of July 17, 2013, electricity distributors electing to remain on CGAAP were required to implement regulatory accounting changes for depreciation expenses and capitalization policies by January 1, 2013. WDI choose to implement the change in useful lives under CGAAP as of January 1, 2012 and submitted this in WDI 2012 COS (EB-2011-0103). WDI has prepared this application under MIFRS.

**Accounting Standards used in Application:**

In accordance with the Filing Requirements, WDI has provided information for 2012, 2013, and 2014 Actual under CGAAP. 2014 Actual, 2015 Bridge Year, and 2016 Test year have been provided under MIFRS. The only change for WDI is the reallocation of Account 1995 Contributed Capital to Account 2240 Deferred Revenue. There were no monetary impacts or revenue requirement impact from this change as provided in Appendix 2-Y, illustrated below.

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

| Revenue Requirement Component | 2016 MIFRS | 2016 CGAAP without policy changes | Difference |
|---|---|---|---|
| Closing NBV 2015 | $ 12,324,089 | $ 12,324,089 | $ - |
| Closing NBV 2016 | $ 12,996,573 | $ 12,996,573 | $ - |
| Average NBV | $ 12,660,331 | $ 12,660,331 | $ - |
| Working Capital | $ 1,441,974 | $ 1,441,974 | $ - |
| Rate Base | $ 14,102,305 | $ 14,102,305 | $ - |
| | | | |
| **Return on Rate Base** | $ 913,491 | $ 913,491 | $ - |
| | | | $ - |
| OM&A | $ 3,074,782 | $ 3,074,782 | $ - |
| Depreciation | $ 554,315 | $ 554,315 | $ - |
| PILs or Income Taxes | $ 43,991 | $ 43,991 | $ - |
| | | | $ - |
| Less: Revenue Offsets | -$ 474,377 | -$ 474,377 | $ - |
| | | | $ - |
| | | | $ - |
| | | | $ - |
| Property Taxes | $ 28,000 | $ 28,000 | $ - |
| **Total Base Revenue Requirement** | $ 4,140,201 | $ 4,140,201 | $ - |

**Segregation of Rate Regulated Activities:**

WDI is engaged in the delivery of the IESO's Conservation and Demand Management Programs. The accounting for these activities is segregated from WDI's rate regulated activities in accordance with the Board's Accounting Procedures Handbook for Electricity Distributors.

# Materiality Threshold

## Ex.1/Tab 7/Sch.1 - Materiality Threshold

The Minimum Filing Requirements state that a distributor with a distribution revenue requirement less than $10 million must use $50,000 as a materiality threshold. With a proposed base revenue requirement of $4,140,201, WDI has used this amount as a materiality threshold throughout this application.

# Corporate Governance

## Ex.1/Tab 8/Sch.1 - Corporate Governance Structure

WDI has described its corporate and utility organizations structure, including descriptions of the activities of each of WDI's affiliates on pages 72 -75 of Exhibit 1.

There are no planned changes in corporate or operational structure.

## Ex.1/Tab 8/Sch.2 – Board of Directors

WDI's Board of Directors consists of five directors, none of which is an employee or officer of the utility. Two of the five board members do not sit on the Board of any WDI affiliate. This conforms to the Affiliate Relationship Code ("ARC") whereby at least one-third of its directors must remain independent from Affiliate Boards. There is no policy on the number or proportion if independent directors, but the Shareholder Direction applicable to WDI provides that the composition of WDI's Board of Directors shall comply with the ARC.

Open, frank and honest discussions are encouraged at all Board meetings. Management provides the WDI Board with written reports, PowerPoint presentations, oral reports, verbal and written responses to WDI Board inquires, that are crucial to the successful realization of WDI's corporate goals and objectives. These practices, which enable WDI Board members to understand the issues facing the utility, assist the WDI Board in exercising its independent judgment in carrying out its responsibilities. The WDI Board conducts an annual assessment of WDI's performance and discusses individual management member's performance.

The background of each WDI Board Member is as follows:

1. Jim Fraser (President) Appointed 2000
    a. Real Estate Salesman
    b. Former Business Owner - Electrical
2. Bruce Young (Director), Appointed 2004
    a. Former Contract Consultant
    b. Former Director of Human Resources
    c. Former General Project Manager – Ethiopian Light & Power
    d. Manager/Supervisor of Human Resources – Former Ontario Hydro
3. Brenda Sigouin (Director, Secretary/Treasurer), Appointed 2003
    a. Former CAO Township of Essa
    b. Former Board of Directors, Collingwood General & Marine Hospital
    c. Former Administrative Assistant to the General Manager Ministry of Health

4. Peter Preager (Director), Appointed 2010
    a. Current Board member, North Simcoe Muskoka Local Health Integration Network (NSMLHIN)
    b. Current Chair, Governance Committee, NSMLHIN
    c. Current member, Audit Committee, NSMLHIN
    d. Former Vice President, Technology for various tech firms
    e. Former Project Manager, CGI, for Ontario Hydro year 2000 projects.
    f. Former Information Systems Professional as certified by The Canadian Information Processing Society; former member of the Project Management Institute; Certificate in Management from Carleton University
    g. Former member of the community-based healthy Community Network
    h. Former newsletter editor and co-webmaster for Probus Inc.
5. Brian Smith, (Director, Mayor of Wasaga Beach), Appointed 2014
    a. Mayor of Wasaga Beach, November 2014
    b. President, Tam Tar Restaurants Inc. (o/a Tim Hortons) – 17 years
    c. Numerous awards for leadership, sales, and business
    d. Ambassador for Tim Hortons Children's Foundation
    e. Former Auxiliary Police Officer
    f. Holds a Queens Commission in the Canadian Armed Forces Reserve with the retired rank of Lieutenant
    g. Former Board of Director of Wasaga Community Theatre

## Ex.1/Tab 8/Sch.3 – Board Mandate

The WDI Board mandate is as documented in the Governance and Responsibilities for Board of Directors and Individual Directors Board Policy. The entire policy can be found at Ex.1/Tab 8/Sch.6; however the relevant section is reproduced below.

**MANDATE:**

The Board of Directors has the responsibility of setting the strategic direction of WDI and establishing appropriate governance and risk management policies to ensure delivery of the strategic objectives and outcomes, promotion of WDI's Vision, Mission, and Core Values, protection of assets, and sustainable long term growth and viability. It must conduct the affairs of the organization in accordance with approved board policies and by-laws. The Board engages its Affiliate, **Wasaga Resource Services, Inc. (WRSI)** through a mutually approved **Master Service Agreement (MSA)** to deliver WDI's licence obligations for all aspects of the day-to-day operations of Corporation.

# Ex.1/Tab 8/Sch.4 – Board Meetings

In 2014, the WDI board had 12 regular meetings as well as 4 special meetings. Special meetings are scheduled meetings that require more attention on a particular subject or EDA/MEARIE conferences.

**2015 Board Meeting Schedule**

The Board of Directors set a schedule for meetings for the 2015 fiscal year. In general, board meetings are held the 4th Monday of every month.

Shown below is the 2015 schedule.

| | |
|---|---|
| Monday, January 26, 2015 | Monday, July 27, 2015 |
| Monday, February 23, 2015 | Monday, August 24, 2015 |
| Monday, March 23, 2015 | Monday, September 28, 2015 |
| Monday, April 27, 2015 | Monday. October 26, 2015 |
| Monday, May 25, 2015 | Monday, November 23, 2015 |
| Monday, June 22, 2015 | Monday, December 14, 2015 |

The overall attendance of the WDI board members has been exemplary; overall the board members attended 85% of the regular board meetings in 2014 and 96% of the board meetings to date in 2015.

# Ex.1/Tab 8/Sch.5 – Orientation and Continuing Education

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

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

- Shareholder Directive
- Board Policies
- Board Structure and Contacts
- Board Meeting Schedule
- Board Minutes (from previous year(s))
- Operating Bylaw /Corporate Background / Organizational Chart
- Strategic Plan
- Current Year Budget
- EDA Publications
- Health & Safety Orientation (building access/security, emergency evacuation, respect in the workplace (including Bill 168-workplace violence), privacy, accessible customer service
- Master Service Agreement

**Continuing Education:**

The Board is responsible for ensuring Directors are provided with continuing education opportunities. Each Director shall assess his/her development needs annually during the budget evaluation process and inform the Chairperson of the Board and Director of Finance of his/her development requirements. Education and training is then scheduled based on the results of each assessment.

Additionally, informal training occurs by way of exposure to the following:

- Attendance at industry association meetings such as EDA meetings, etc.
- Engagement of a third party facilitator during 2014 for the purpose of enhancing board/shareholder relations.

- Enrolment in courses such as Accessible Customer Service Training, Health and Safety, etc.
- Education on new Regulatory Directives and upcoming technological challenges during board meetings as necessary.

## Ex.1/Tab 8/Sch.6 – Ethical Business Conduct/Conflict of Interest

The Board does not have a Code of Conduct policy for Board Members. Each Board Member is required to maintain appropriate responsibilities through the Board Policy on Governance and Responsibilities for Board of Directors.

Potential conflicts of interest are declared and assessed at the outset of all Board meetings. Both policies are provided below.

Compliance with these policies is the responsibility of WDI Board Members
These policies do not explicitly apply to WDI staff. However, WDI staff is regularly instructed on their responsibilities with respect to compliance with OEB codes, policies and requirements.

# Wasaga Distribution, Inc.

# Governance and Responsibilities for Board of Directors and Individual Directors
## Board Policy

The Board of Directors acts collectively and exercises its powers and responsibilities as a group. No individual director has the power to act on his or her own. As a member of the Board of Directors *(the "Board")*, each director will fulfil the legal requirements and obligations of a director, which will include the responsibilities:

- To act honestly and in good faith with a view towards the best interests of **Wasaga Distribution Inc. (WDI)** and,
- To exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

**MANDATE**

The Board of Directors has the responsibility of setting the strategic direction of WDI and establishing appropriate governance and risk management policies to ensure delivery of the strategic objectives and outcomes, promotion of WDI's Vision, Mission, and Core Values, protection of assets, and sustainable long term growth and viability. It must conduct the affairs of the organization in accordance with approved board policies and by-laws. The Board engages its Affiliate, **Wasaga Resource Services, Inc. (WRSI)** through a mutually approved **Master Service Agreement (MSA)** to deliver WDI's licence obligations for all aspects of the day-to-day operations of Corporation.

**PART A: BOARD RESPONSIBILITIES**

The following are required responsibilities of the Board of Directors to ensure the successful governance of the organization**.**

**1. Strategic Planning**

- On a regular basis, work with the management team to ensure WDI's Mission, Vision and Core Values are considered and applied to the establishment of the strategies and goals to be achieved in the upcoming period.
- Review and approve strategic objectives, annual operating plans and annual budget as submitted by management in line with the strategic direction and goals of WDI.
- Review and approve its Affiliate, WRSI, Strategic Plan

**2. Risk Management**

- Ensure, through the MSA, that WRSI Board has a risk management plan and process in place, and review the major risks to which WRSI is subject.
- Ensure, through the MSA, that WRSI Board have processes in place to protect assets and property and ensure that they are used to deliver WDI's strategic objectives.

- Evaluate exposure to Director and officer liability issues and consider steps to minimize such risks. Approve the insurance coverage.
- Receive assurance that no individual board member receives any compensation, gifts or personal benefit from their position on the Board of Directors, outside of that which is allowed by law.
- Review and approve asset acquisitions, divestitures and strategic partnerships and alliances or any other material transaction not in the ordinary course of business.
- Review the organization's compliance with all relevant laws, regulations and reporting requirements.

**3. Monitoring Organizational Performance**

- Ensure WDI complies with its governing documents, objectives and purpose as defined in its incorporating documents, Policies and By-laws.
- Review performance of WDI against the approved strategic plan and budget and monitor deviations from these plans.
- Review the performance of the Corporation's investments.
- Ensure the protection and guardianship of the assets of WDI, including customer lists and financial and billing databases.
- Monitor the effectiveness and efficiency of WDI's activities, in order to ensure that Shareholders are receiving appropriate value for investment in relation to the resources applied.

**4. Governance**

- Review and recommend the adoption, amendment and/or repeal of the bylaws of the Corporation.
- Establish and oversee an appropriate and transparent process for the selection of the Board Chair and officers.
- Establish appropriate board policies such as Conflict of Interest and Confidentiality and Privacy Policy and ensure individual director compliance.
- Ensure the organization maintains up to date and legally compliant minutes, books of records and undergoes a review of board policies and bylaws every three years.
- Exercise special care when investing or borrowing funds and ensure management has complied with appropriate financial and investment policies and any other legal requirements.
- Uphold and apply principles of equity and diversity and ensure that WDI is fair and open to the customer community in its activities.

**5. External Relationships**

- Ensure that an appropriate policy for external relationships is established to clarify the role of Board members. While the WRSI management team members act, as the prime 'face' and spokesperson(s) of WDI and WRSI, from time to time Board members may be called upon to play an external role with customers, the shareholders and others.

**6. Crisis Management**

- Ensure that management prepares and maintains current contingency plans for threats and dangers that are reasonably foreseeable and potentially threaten the safety of property and WRSI staff or the disruption of WRSI's work.

**PART B: INDIVIDUAL DIRECTOR RESPONSIBILITIES**

A member of the WDI Board of Directors shall:

**1. General**

- Maintain a solid understanding of the role, responsibilities and legal duties of a director
- Demonstrate an understanding of the difference between governing and managing, and ensure that actions and behaviours are consistent with this distinction.
- Maintain confidentiality of all information that is learned as a director of WDI.
- Understand conflict of interest issues and declare real or perceived conflicts, and disclose contracts, memberships or arrangements in which the director has an interest.
- Demonstrate support for the mission, vision, core values of WDI.

**2. Skills and Experience**

- Demonstrate skills and experience that are complementary to WDI's current activities and strategic direction
- Utilize external relationships and resources in making a contribution and adding value to the Corporation
- Effectively apply his/her knowledge, experience and expertise to issues confronting WDI.
- Serve as a helpful resource to the Board, where necessary and appropriate.

**3. Strategies and Plans**

- Maintain and demonstrate a comprehensive understanding of WDI's strategic direction and annual plans, including an understanding of WDI's principal risks
- Contribute and add value to discussion regarding WDI's strategic direction
- Participate in monitoring and evaluating the management team's success in achieving goals set out in WDI's strategic and annual plans.

**4. Preparation, Attendance and Availability**

- Maintain an excellent Board meeting attendance record
- Attend entire Board and committee meetings, not just parts of meetings
- Attend meetings well prepared, having completed and understood the necessary background reading and having consulted other directors and/or management, if required, to evaluate and add value to agenda items presented
- Demonstrate broader preparation than just the distributed material
- Be available when needed, and be accessible and approachable
- Have the necessary time and commitment to fulfil responsibilities as a WDI director

**5. Communication and Interaction**

- Interact appropriately with the Board and management team of WRSI
- Participate fully and frankly in Board deliberations and discussions, and contribute meaningfully and knowledgeably to Board discussions

- Be a team player – work effectively with fellow directors, and be a positive and constructive force within the Board
- Communicate persuasively and logically, voice concerns, listen, and raise tough questions in a manner than encourages open discussion.
- Be willing to take a stand or express a view, even if it runs contrary to prevailing wisdom or the direction of the discussion; exercise independent judgment
- Advise the Chair when introducing significant and/or previously unknown information or material at a Board meeting

**6. Business and Sector Knowledge**

- Maintain and demonstrate a strong understanding of WDI's business, services and operations
- Where appropriate, use outside contacts to increase understanding of the various issues with which the Board is concerned
- Remain knowledgeable about WDI's operations during their tenure on the Board.

**APPROVED September 22, 2014**

X

James Fraser
Chairman of the Boards

# Wasaga Distribution, Inc.

# CONFLICT OF INTEREST GUIDELINES
## Board Policy

1.01 **Integrity**.

These Conflict of Interest Guidelines are intended to ensure the highest standards and maintenance of the integrity of the Board. Directors shall act at all times in the best interests of the Corporation rather than in the interests of particular constituencies. This means putting the interests of the Corporation ahead of any personal interest or the interest of any other person or entity. It also means performing his/her duties and transacting the affairs of the Corporation in such a manner that promotes shareholder and public confidence and trust in the integrity, objectivity and impartiality of the Board.

1.02 **No Pecuniary Benefit.**

- No Director shall directly or indirectly receive any profit from his/her position as such, provided that, notwithstanding anything herein contained to the contrary, Directors may receive reasonable payment for their services and reimbursement for reasonable expenses incurred by them in the performance of their duties as permitted in the By-laws and approved by the Board.

- The pecuniary interests of immediate family members (including the immediate family members of a Director's partner) or close personal or business associates of a Director are considered to also be the pecuniary interests of the Director.

1.03 **Definition of Conflict of Interest.**

- A conflict of interest refers to situations in which personal, occupational or financial considerations may affect, or appear to affect, a Director's objectivity, judgment or ability to act in the best interests of the Corporation and includes conflicts as described in subsection 1.04 hereof.

- A conflict of interest may be real, potential or perceived in nature.

- A real conflict of interest arises where a Director has a private or personal interest, for example, a close family connection or financial interest.

- A potential conflict of interest may arise when a Director has a private or personal interest such as an identified future commitment.

- A perceived or apparent conflict of interest may exist when a reasonable, well informed person has a reasonable belief that a Director has a conflict of interest, even if there is no real conflict.

- Full disclosure, in itself, does not remove a conflict of interest.

1.04 **Examples of Conflict of Interest on the Part of a Director.**

The following examples constitute Conflicts of Interest under this Code:

- Any circumstance that may result in a personal or financial benefit to a Director or his/her family, business associate or friend. This includes, but is not limited to, accepting any payment for services rendered to the Corporation other than payment for services of a Director as permitted in this Code, including contracted work or honoraria; or accessing financial or other resources for personal use, i.e. transportation, training costs, supplies, equipment, etc.

- Personal interests which conflict with the general, financial or business interests of the Corporation or are otherwise adverse to the interests of the Corporation.

- Seeking, accepting or receiving any personal benefit from a supplier, vendor or any individual or organization doing or seeking business with the Corporation.

- Being a member of the board or staff of another entity which might have material interests that conflict with the interests of the Corporation or its Affiliates; and, dealing with matters on one board, or entity, which might materially affect the other board.

- Any involvement in the hiring, supervision, grievance, evaluation, promotion, remuneration or firing of a family member, business associate, or friend of the Director.

1.05 **Principles for Dealing with Conflict of Interest.**

- During their term of office, Directors must openly disclose a potential, real or perceived conflict of interest as soon as the issue arises and before the Board deals with the matter at issue.

- If the Director is not certain whether he/she is in a conflict of interest position, the matter may be brought before the Chair of the Board, or the Board for advice and guidance.

- If there is any question or doubt about the existence of a real or perceived conflict, the Board will determine by majority vote if a conflict exists. The Director potentially in conflict of interest shall be absent from the discussion and shall not vote on the issue.

- It is the responsibility of other Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director to raise the issue for clarification, first with the Director in question and, if still unresolved, with the Chair of the Board.

- The Director must abstain from participation in any discussion on the matter, shall not attempt to personally influence the outcome, shall refrain from voting on the matter and, unless otherwise decided by the Board, must leave the meeting room for the duration of any such discussion or vote.

- The disclosure and decision as to whether a conflict exists shall be duly recorded in the minutes of the meeting. The time the Director left and returned to the meeting shall also be recorded.

1.06 **Gifts and Hospitality.**

Directors shall not directly or indirectly offer or accept cash payments, gifts, gratuities, privileges or other personal rewards, which are intended to influence the activities or affairs of the Corporation. Directors may, however, receive modest gifts of hospitality as a matter of general and accepted business practice, provided the foregoing does not include cash or other negotiable instruments.

1.07 **Complaints and Disputes Involving Directors.**

- The Board, in a meeting duly called for the purpose, shall review any complaints that a Director has violated any provision of the Corporation's Bylaws, or policies approved by the Board, in particular, this Code and the Confidentiality Undertaking for Directors.

- The Board shall similarly review disputes between Directors that interfere with the ability of the Board to carry on its affairs.

- Complaints of a grave nature may be referred to an independent arbiter.

- Allegations of illegal activity shall be immediately referred to appropriate authorities for investigation. Any Director against whom such allegations are made shall take a leave of absence from the Board pending completion of the investigation.

- The review of such complaints or disputes shall include an opportunity for the Director concerned to present his/her position. Board members who originate or are the subject of such complaints or disputes must declare their conflict and recuse themselves from such meetings.

- Every attempt should be made to resolve such matters expeditiously and fairly.

- The ruling of the Board shall be final. If the Director refuses to abide by the ruling, the Board may table the matter pending determination of disciplinary action. Such action may include formal or informal censure by the Chair or the Board, suspension, a request for the Director's resignation or a resolution removing the person as a Director.

**BOARD APPROVED – August 25, 2014**

X

James Fraser
Board Chairman

## Ex.1/Tab 8/Sch.7 – Nomination of Directors

In order to assist in identifying candidates for WDI`s Board`s most recent vacancy, an advertisement was published in the local newspaper and interest in the position was solicited from the public. The successful candidate was selected from respondents to the public notice.

## Ex.1/Tab 8/Sch.8 – Board Committees

At the present time, there are no Board Committees

# Letters of Comment

## Ex.1/Tab 9/Sch.1 - Letter of Comment

The utility does not have any letter of comments to at the time of the filing

# Scorecard Performance Evaluation

## Ex.1/Tab 10/Sch.1 – Scorecard Performance Evaluation

Under the Renewed Regulatory Framework a distributor is expected to continuously improve its understanding of the needs and expectations of its customers and its delivery of services. WDI's 2014 Scorecard can be found below. WDI is measured on four main categories:

**Customer Focus measures both Service Quality and Customer Satisfaction:**
Over the past five years WDI has exceeded all of these measures including new services connected on time, scheduled appointments met, telephone calls answered within 30 seconds, first contact resolution, billing accuracy and customer satisfaction. WDI attributes this success to its open door policy to its customers. Employees answer the telephone themselves with no automated phone system, and make personal arrangements for appointments. At the first point of contact, whether on the phone or in one of the two offices, customers are generally helped immediately with questions or issues.

**Operational Effectiveness:**

WDI has remained in compliance with Ontario Regulation 22/04. WDI has had no general public safety incidents in its history. Reliability which measures the average number of hours and number of times that power to a customer is interrupted varies from year to year. In 2014 WDI's reliability indices increased, but were still below the provincial average, due to a wind storm which knocked out our entire 44kV system that impacted all of WDI`s customers. WDI maintains a high degree of success to its maintenance and vegetative management program.

WDI is remitting its Distribution System Plan with this application and is committed to following the plan.

WDI`s efficiency assessment remains in Category/Cohort 1. The total cost per customer is $423 which is well below the provincial average. WDI strives to control its costs balancing the needs of its customers and reliability of its distribution system.

**Public Policy Responsiveness:**

WDI delivers the IESO (formerly OPA) conservation and demand management programs. In the 2010 to 2014 Conservation Framework, WDI achieved 107.9% of its targeted energy savings. This was achieved by leveraging the suite of OEB approved CDM programs primarily designed for the residential and small commercial classes of customers. Although the Demand Savings were at 42.10% success rate, only six utilities in the Province reached the 100% demand target.

WDI had 26 MicroFit customers connected at the end of 2014. All of these were connected on time.

**Financial Ratios:**

WDI achieved a ROE of 4.98% in 2014, which is below the +/- 3% range allowed by the OEB. The average ROE over the past four years was 9.27%, which is well within the deemed regulatory return specified in WDI's approved rates. WDI's decreased rate of return in 2014 was largely due to increase capital spending and increased expenses. WDI is seeking an approval for increased rates in this application to recover this deficiency.

## WDI's 2014 Scorecard

### Scorecard - Wasaga Distribution Inc.

9/1/2015

| Performance Outcomes | Performance Categories | Measures | | 2010 | 2011 | 2012 | 2013 | 2014 | Trend | Target Industry | Target Distributor |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer Focus<br>Services are provided in a manner that responds to identified customer preferences. | Service Quality | New Residential/Small Business Services Connected on Time | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | flat | 90.00% | |
| | | Scheduled Appointments Met On Time | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | flat | 90.00% | |
| | | Telephone Calls Answered On Time | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | flat | 65.00% | |
| | Customer Satisfaction | First Contact Resolution | | | | | | .4% | | | |
| | | Billing Accuracy | | | | | | 99.92% | flat | 98.00% | |
| | | Customer Satisfaction Survey Results | | | | | | A | | | |
| Operational Effectiveness<br>Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives. | Safety | Level of Public awareness [measure to be determined] | | | | | | | | | |
| | | Level of Compliance with Ontario Regulation 22/04 | | C | C | C | C | C | flat | | C |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 0 | 0 | 0 | 0 | 0 | flat | | 0 |
| | | | Rate per 10, 100, 1000 km of line | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | flat | | 0.000 |
| | System Reliability | Average Number of Hours that Power to a Customer is Interrupted | | 0.89 | 1.66 | 1.05 | 0.35 | 1.53 | down | | at least within 0.35 - 1.66 |
| | | Average Number of Times that Power to a Customer is Interrupted | | 0.50 | 1.58 | 1.25 | 0.41 | 1.46 | up | | at least within 0.41 - 1.58 |
| | Asset Management | Distribution System Plan Implementation Progress | | | | | | In progress | | | |
| | Cost Control | Efficiency Assessment | | | | 1 | 1 | 1 | | | |
| | | Total Cost per Customer [1] | | $379 | $384 | $407 | $407 | $423 | | | |
| | | Total Cost per Km of Line [1] | | $19,000 | $19,499 | $19,838 | $20,238 | $19,328 | | | |
| Public Policy Responsiveness<br>Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board). | Conservation & Demand Management | Net Annual Peak Demand Savings (Percent of target achieved) [2] | | | 8.63% | 17.71% | 21.99% | 42.10% | target not met | | 1.34MW |
| | | Net Cumulative Energy Savings (Percent of target achieved) | | | 28.35% | 75.77% | 87.08% | 107.86% | target met | | 4.01GWh |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | | | | | 100.00% | | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | | | | | 100.00% | 100.00% | | 90.00% | |
| Financial Performance<br>Financial viability is maintained; and savings from operational effectiveness are sustainable. | Financial Ratios | Liquidity: Current Ratio (Current Assets/Current Liabilities) | | 3.46 | 3.49 | 3.22 | 2.27 | 1.66 | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | | 0.38 | 0.36 | 0.35 | 0.35 | 0.35 | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | | 9.00% | 9.12% | 9.12% | 9.12% | | | |
| | | | Achieved | | 17.30% | 11.91% | 2.90% | 4.98% | | | |

Notes:
1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.
2. The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

Legend: up, down, flat, target met, target not met

# Attachments

## List of Attachments

| | |
|---|---|
| Attachment A | WDI's Strategic Plan |
| Attachment B | 2014 CHEC UtilityPULSE Survey |
| Attachment C | WDI 2013 Financial Statement |
| Attachment D | WDI 2014 Financial Statement |
| | |

## Attachment A – WDI Strategic Plan

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# STRATEGIC PLAN

# 2014

**Wasaga Distribution Inc.**

**950 River Rd. West**

**Wasaga Beach, Ontario L9Z 1A2**

Board Approved - 26 May 2014

# Background and Context

**WASAGA DISTRIBUTION INCORPORATED (WDI)**

**- and its Affiliate -**

**WASAGA RESOURCE SERVICES INCORPORATED (WRSI)**

**Conduct the corporate business through a cooperative**

**Master Service Agreement,**

**Approved by both entities, January 1st, 2013**

Wasaga Distribution Inc. serves the Town of Wasaga Beach, a vibrant community, with an ever growing population, to its borders with electricity. The present population is in excess of 18,500, with a total service area of 61 square kilometers.

The utility presently serves approximately 13,000 customers and has more than 235 kilometers of conductor, both overhead and underground.

The system has more than 1,400 distribution transformers, and nearly 5,000 poles in service, fed from five owned, and one shared distribution stations.

# Vision and Mission

## Our Vision

- As WDI looks to the future, it will remain fully focused on the needs and priorities of the Community in delivering safe, reliable and efficient electrical power in its service area.
- WDI will continue to build long term value for customers and shareholders alike and places a very strong emphasis on operational excellence and productivity gain.
- WDI will continue its cooperative endeavors with other like-minded LDC's within the CHEC group of companies to realize operating efficiencies and cost savings for customers.

## Our Mission

- To provide our customers with excellent products and services in a competitive, safe, reliable and efficient manner, while always recognizing our community and environmental responsibilities.

# Present Status

## Strengths

- Locally owned, controlled and operated for maximum benefit to customers and Shareholders alike.
- A strong Master Service Agreement (MSA), reviewed annually, between WDI and WRSI that allows the WRSI staff to work effectively and efficiently.
- Strong and effective fiscal management.
- The ability to anticipate and react quickly to constant Legislative and Regulatory changes.
- Through the MSA and WRSI staff's system familiarity, maintains a sound and up-to-date distribution and metering system resulting in minimal outages and WDI's ranking at #2 of 73 LDC's on the Provincial efficiency list (2013.)
- Realization of operating efficiencies and cost savings for customers through membership in the CHEC group of LDC's.

## Weaknesses

- Difficulty in effectively communicating our company strengths and accomplishments to our customers and shareholders.

# Factors Necessary to Maintain Success

- Customer Focus: Dedication to continuing provision of excellence in all facets of customer service including billing and service enquiries.

- Competence of Staff: Reliance on the MSA for the continued high levels of service provided by the management and service staff of our Affiliate, WRSI.

- Infrastructure Reliability: Reliance on the MSA for the abilities of WRSI to rapidly respond to infrequent distribution system problems and for ongoing monitoring and maintenance of metering systems and other distribution assets.

- Dedication to Supporting Municipal Growth: Continued close collaboration with Municipal Council and Planning Department to ensure that our system integrity can respond adequately to the expected growth in customer base contained in the Municipality's Official Plan.

- Technological Innovation: Continued dedication towards technological innovation.

# Strategies for Maintaining Success

- Create sustainable value for our shareholder by promoting core business strengths and pursuing appropriate business opportunities.

- Engaging local municipal, business and residential customers to tailor our programs to their needs and enhance their experience with our utility.

- Keeping abreast of regulatory changes

- Continued engagement with the CHEC group of LDC's

- Continued use of technical innovation to optimize our efficiency.

- Meeting/surpassing CDM requirements in the Province's six year conservation framework for LDC's.

- Regular review of fixed assets/asset management.

- Update and monitor five year capital investment plan.

## Attachment B – 2014 CHEC UtilityPULSE Survey

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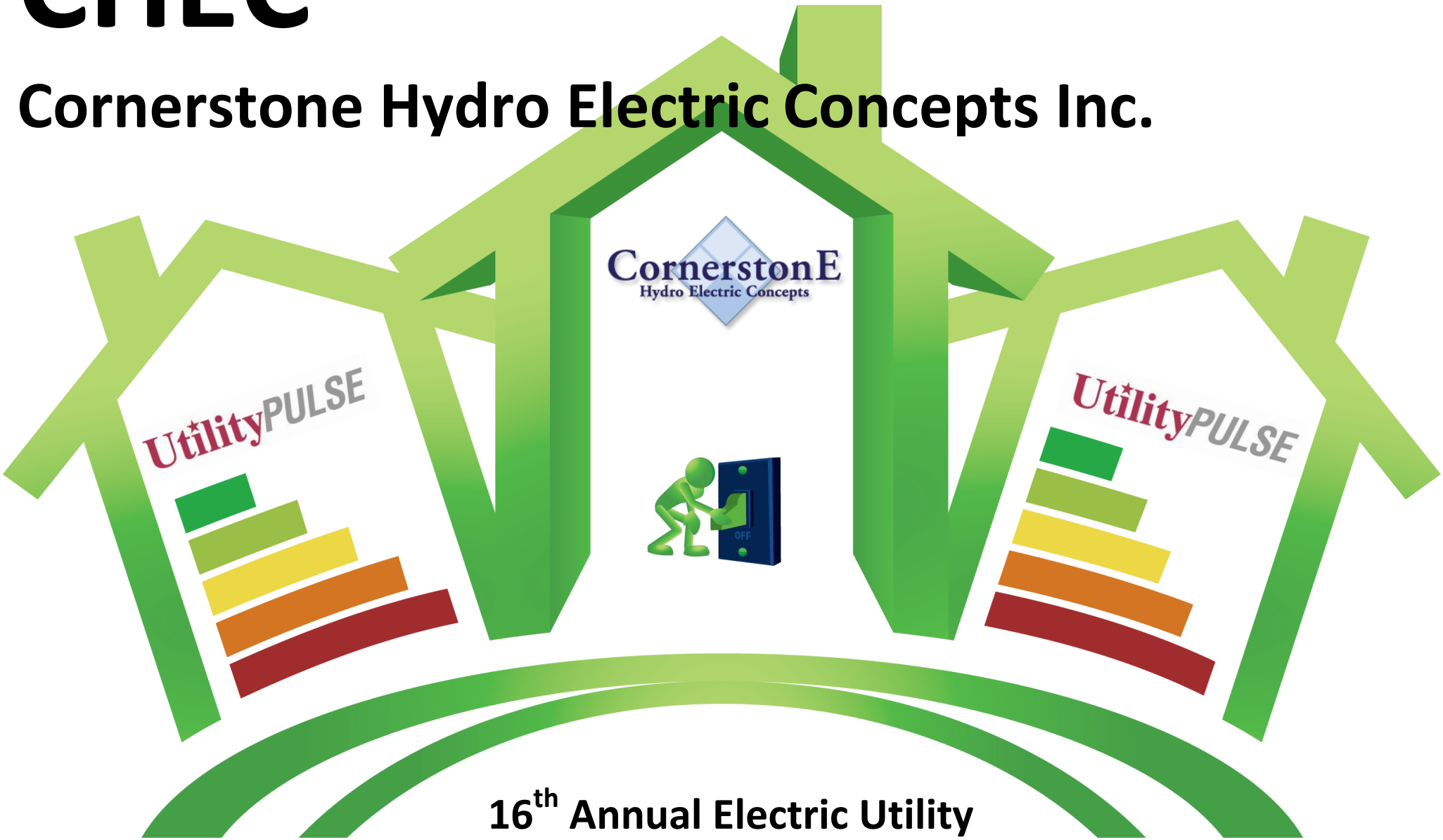
# CHEC

## Cornerstone Hydro Electric Concepts Inc.




**16th Annual Electric Utility**
**Customer Satisfaction Survey**

**The purpose of this report is to profile the connection between Cornerstone Hydro Electric Concepts Inc. (CHEC) 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, CHEC has done well.
Overall, CHEC 85% [Ontario 77%; National 80%].

## EB-2010-0379 ROB-SA: Comparability

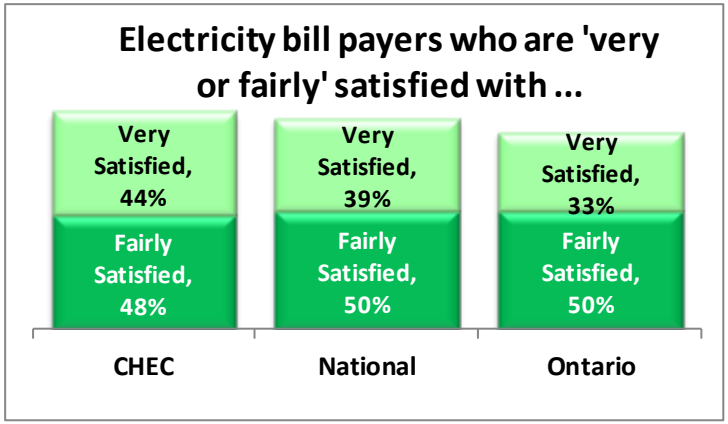
Your 2014 report contains data comparisons to:

- 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".

| CHEC SATISFACTION SCORES – Electricity customers' satisfaction | | | | | |
|---|---|---|---|---|---|
| **Top 2 Boxes: 'very + fairly satisfied'** | **2014** | **2013** | **2012** | **2011** | **2010** |
| **PRE: Initial Satisfaction Scores** | 92% | 92% | - | - | - |
| **POST: End of Interview** | 93% | 94% | - | - | - |

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

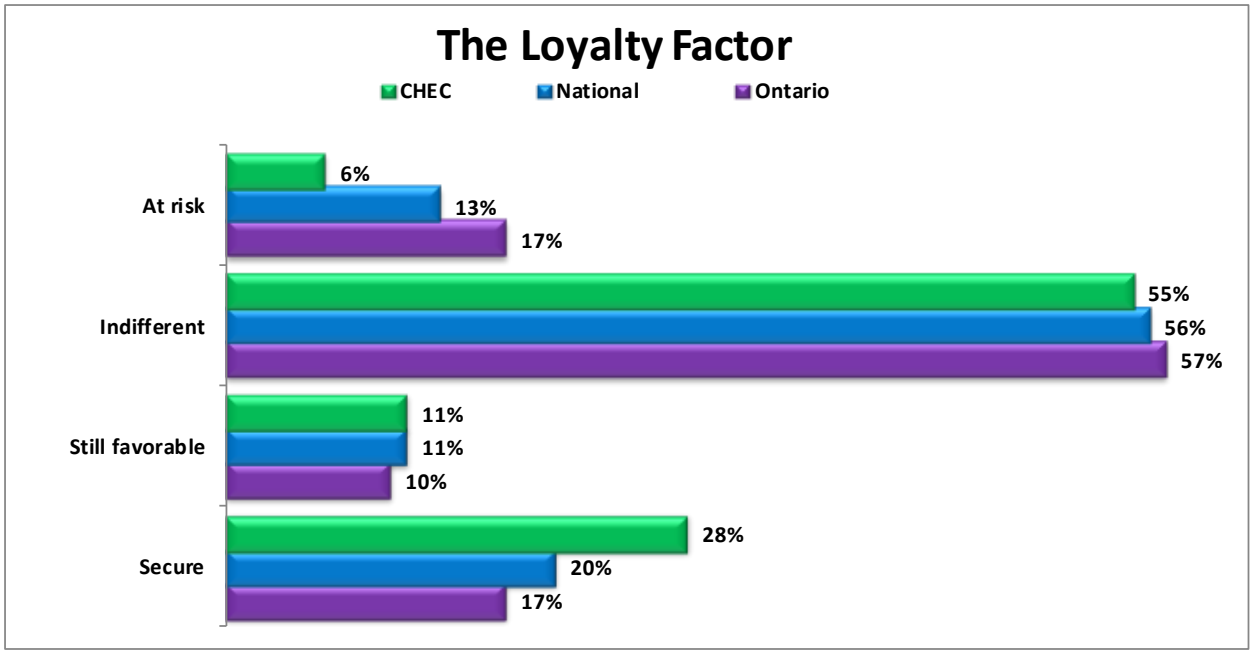
Loyalty, for private industry, is a behaviourial metric. Loyalty, for natural monopolies (like LDCs) is an attitudinal metric.

| Customer Loyalty Groups | | | | |
|---|---|---|---|---|
| | **Secure** | **Favorable** | **Indifferent** | **At Risk** |
| | **CHEC** | | | |
| **2014** | 28% | 11% | 55% | 6% |
| **2013** | 33% | 13% | 49% | 5% |

Base: total respondents


Even if customers can't defect, there is enormous value in making more of them loyal. Customers after all make the company's reputation. Reputation is ultimately what customers think – nothing else. To be successful and profitable, companies must take account of how they are perceived because companies do operate in a climate of opinion.

Loyal customers are more likely to see the world the way hydro management sees it. Customers feel their interests and the hydro's are often in common. Our survey results do reveal, loyal customers enhance the value of the utility. One example, 99% of Secure customers agree that overall CHEC 'provides excellent quality services' versus 58% of At Risk customers.




Base: total respondents

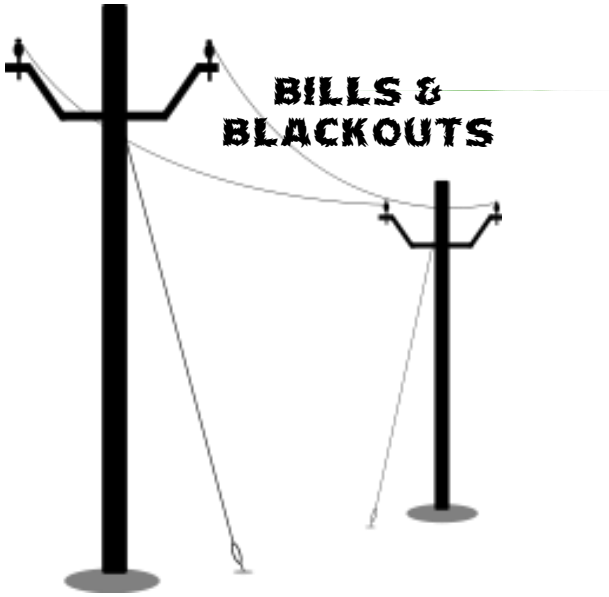
Utilities benefit from a trusted relationship with their empowered Customers. Higher levels of trust are the hallmarks of Secure customers. When people interact, either face-to-face, by telephone or on-line, if people do not trust each other, the interaction is not going to be efficient. Trust improves 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 | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **2014** | 36% | 47% | 49% |
| **2013** | 36% | 41% | 35% |
| **2012** | - | 44% | 46% |
| **2011** | - | 43% | 43% |
| **2010** | - | 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 | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **2014** | 12% | 16% | 25% |
| **2013** | 10% | 8% | 10% |
| **2012** | - | 12% | 13% |
| **2011** | - | 10% | 16% |
| **2010** | - | 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, 88% 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

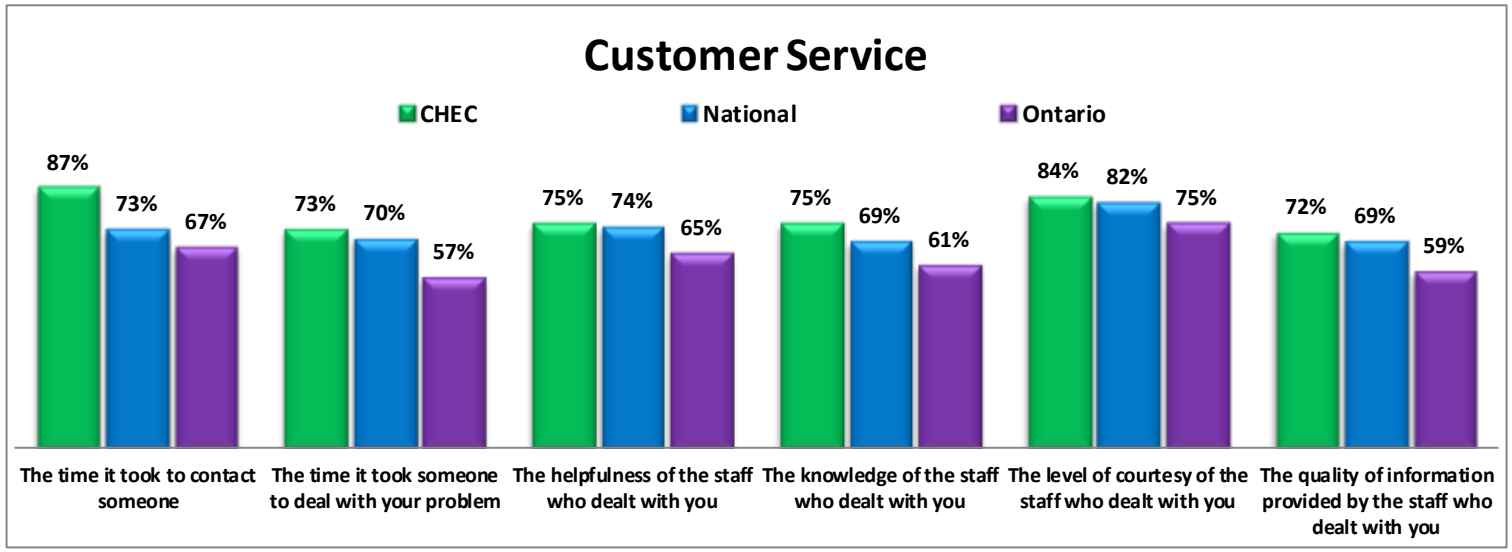
This performance measure is not defined in the EB-2010-0379 ROB-SA March 5, 2014 document. First contact resolution is an outcome base measurement which is affected by: type of problem, competency levels of staff, empowerment levels of staff, and organization culture to name a few.

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 | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **Top 2 Boxes: 'very + fairly satisfied'** | 78% | 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?" 72% 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) | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **CEPr: all respondents** | 87% | 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'** | **CHEC** | **National** | **Ontario** |
| **Deals professionally with customers' problems** | 87% | 82% | 78% |
| **Pro-active in communicating changes and issues affecting Customers** | 81% | 74% | 73% |
| **Quickly deals with issues that affect customers** | 85% | 79% | 74% |
| **Customer-focused and treats customers as if they're valued** | 83% | 74% | 72% |
| **Is a company that is 'easy to do business with'** | 88% | 79% | 75% |
| **Cost of electricity is reasonable when compared to other utilities** | 64% | 60% | 55% |
| **Provides good value for money** | 73% | 67% | 63% |
| **Delivers on its service commitments to customers** | 89% | 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'** | **CHEC** | **National** | **Ontario** |
| **Provides consistent, reliable electricity** | 92% | 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** | 78% | 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.

# CHEC's UtilityPULSE Report Card®

***Performance***

| | CATEGORY | CHEC | 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 | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **Is a respected company in the community** | 88% | 81% | 78% |
| **A leader in promoting energy conservation** | 84% | 78% | 77% |
| **Keeps its promises to customers and the community** | 87% | 79% | 76% |
| **Is a socially responsible company** | 88% | 78% | 77% |
| **Is a trusted and trustworthy company** | 88% | 82% | 77% |
| **Adapts well to changes in customer expectations** | 78% | 71% | 68% |
| **Is 'easy to do business with'** | 88% | 79% | 75% |
| **Provides good value for your money** | 73% | 67% | 63% |
| **Overall the utility provides excellent quality services** | 88% | 83% | 80% |
| **Operates a cost effective hydro-electric system** | 78% | 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 … | | | |
|---|---|---|---|
| | **CHEC** | **National** | **Ontario** |
| **Not really a worry** | 66% | 69% | 59% |
| **Sometimes I worry** | 22% | 20% | 26% |
| **Often it is a major problem** | 8% | 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 | | | | |
|---|---|---|---|---|
| **Ontario LDCs** | **Yes** | **No** | **Already Done** | **Don't Know** |
| **Install energy-efficient light bulbs or lighting equipment** | 19% | 9% | 70% | 1% |
| **Install timers on lights or equipment** | 12% | 50% | 35% | 2% |
| **Shift use of electricity to lower cost periods** | 22% | 17% | 58% | 3% |
| **Install window blinds or awnings** | 12% | 27% | 60% | 2% |
| **Install a programmable thermostat** | 13% | 25% | 60% | 2% |
| **Have an energy expert conduct an energy audit** | 9% | 71% | 16% | 4% |
| **Removing old refrigerator or freezer for free** | 14% | 44% | 38% | 4% |
| **Join the peaksaverPLUS™ program** | 15% | 49% | 21% | 16% |
| **Replacing furnace with a high efficiency model** | 12% | 33% | 52% | 4% |
| **Replacing air-conditioner with a high efficiency model** | 14% | 38% | 44% | 4% |
| **Use a coupon to purchase qualified energy saving products** | 35% | 39% | 22% | 5% |

Base: An aggregate of respondents from 2014 participating LDCs

## E-care and E-billing

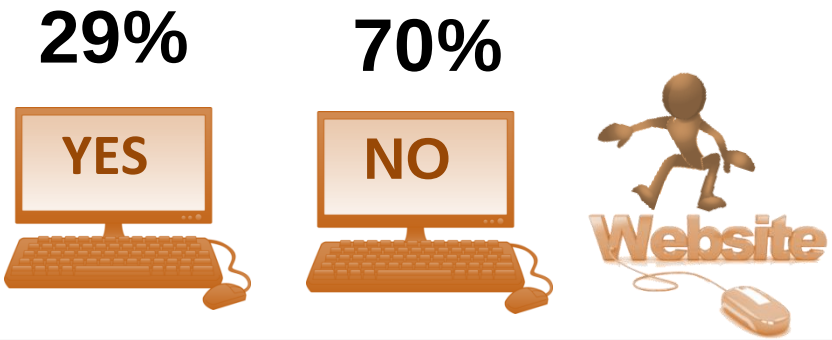
Technology – specifically the internet—has allowed people access to far more information than ever before and the ability to do more than ever before.

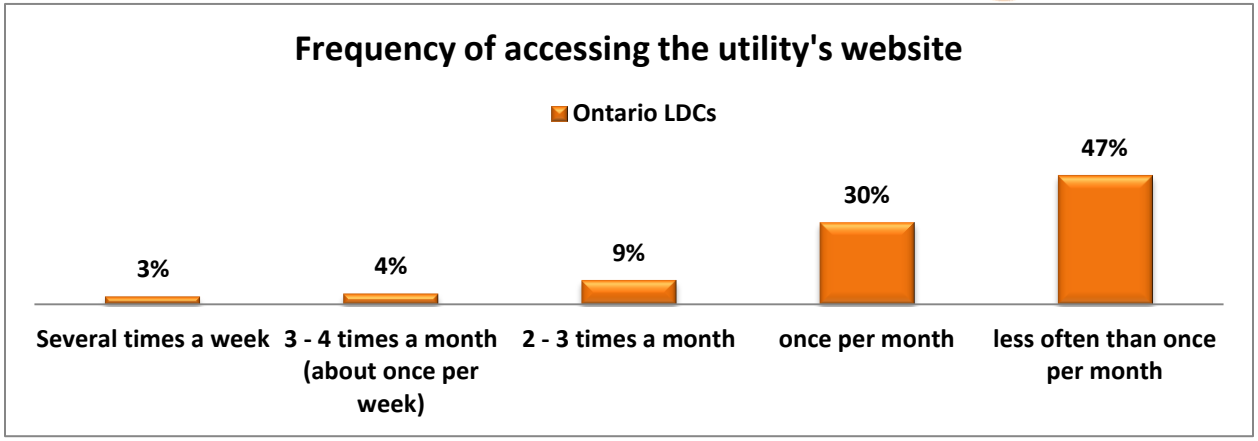
| Do you have access to the internet? | |
|---|---|
| | **Ontario LDCs** |
| **Yes** | 87% |
| **No** | 13% |

Base: An aggregate of respondents from 2014 participating LDCs

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

Base: An aggregate of respondents from 2014 participating LDCs




Base: An aggregate of respondents from 2014 participating LDCs

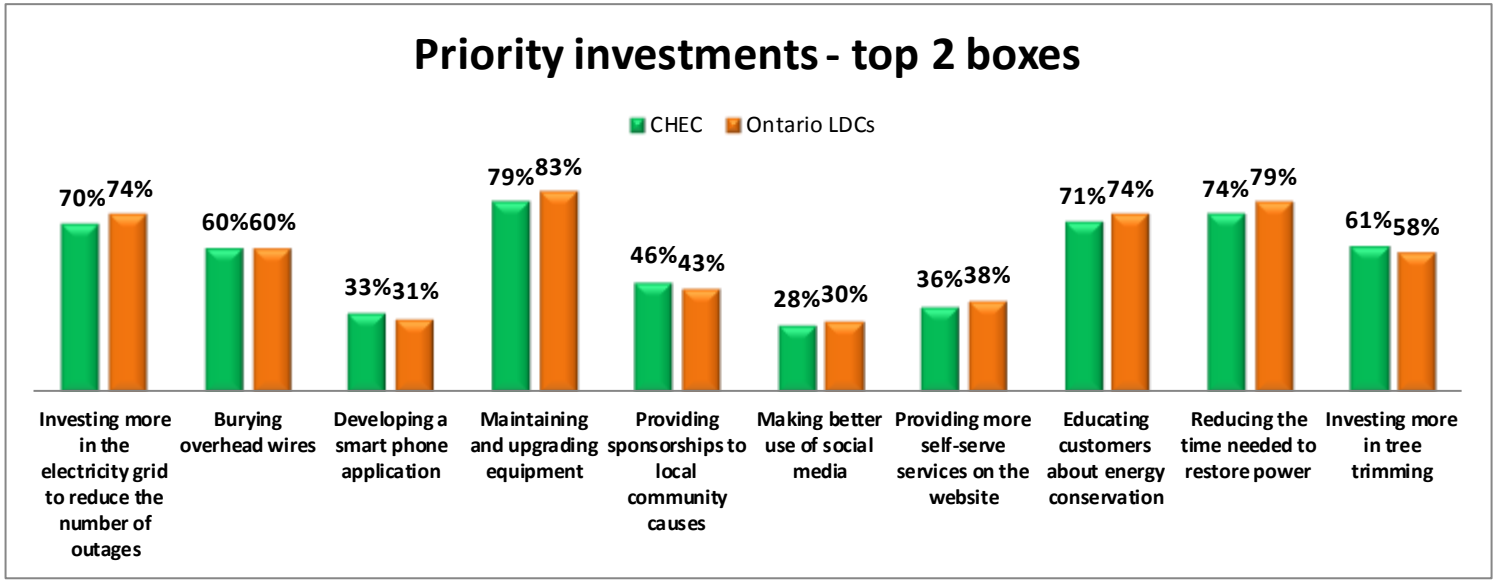
| Likelihood of using the internet for future customer care needs for things such as: | |
|---|---|
| **Top 2 Boxes: 'very + somewhat likely'** | **Ontario LDCs** |
| **Setting up a new account** | 31% |
| **Arranging a move** | 38% |
| **Accessing information about your bill** | 55% |
| **Accessing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

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)

Are CHEC customers willing to foot the bill for further improvements? 46% of CHEC respondents expressed a willingness to pay at least something to better their electricity system. 46% of respondents were not willing to incur any additional costs while 9% were not sure of their position. Where respondents varied was on how much they were actually willing to pay.

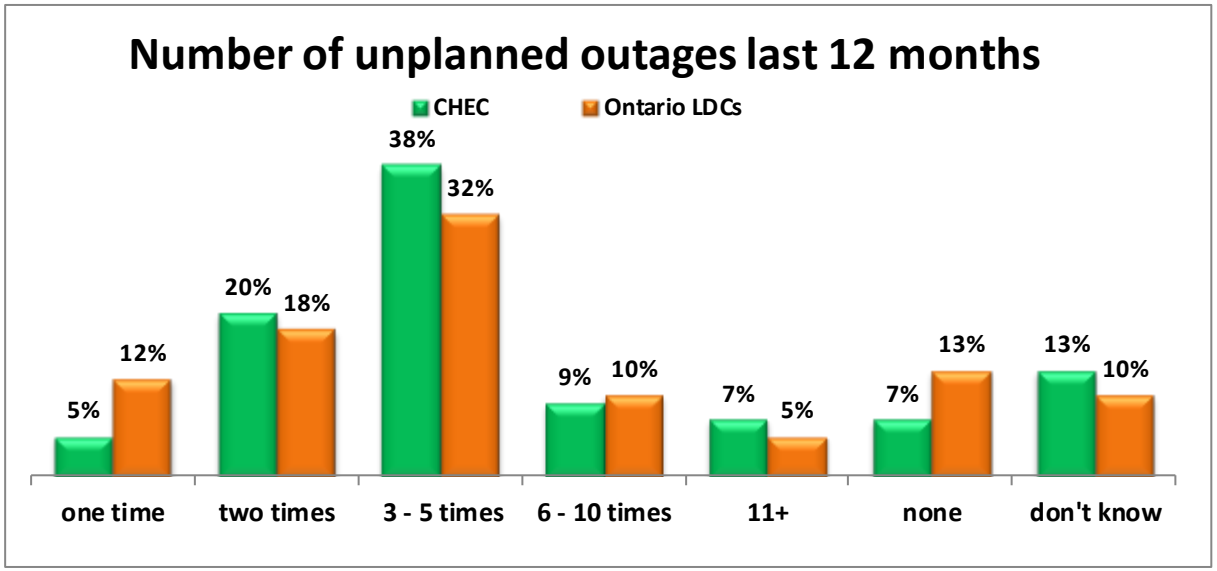
| Willingness to pay for further improvements | |
|---|---|
| **Using the scale of $0 to $10 per month** | **CHEC** |
| **$0** | 46% |
| **$1 - 2** | 7% |
| **$3 - 4** | 5% |
| **$5 - 6** | 21% |
| **$7 - 8** | 1% |
| **$9 - 10** | 11% |
| **$11+** | 1% |
| **Don't know** | 9% |

Base: total respondents

## Outage Management

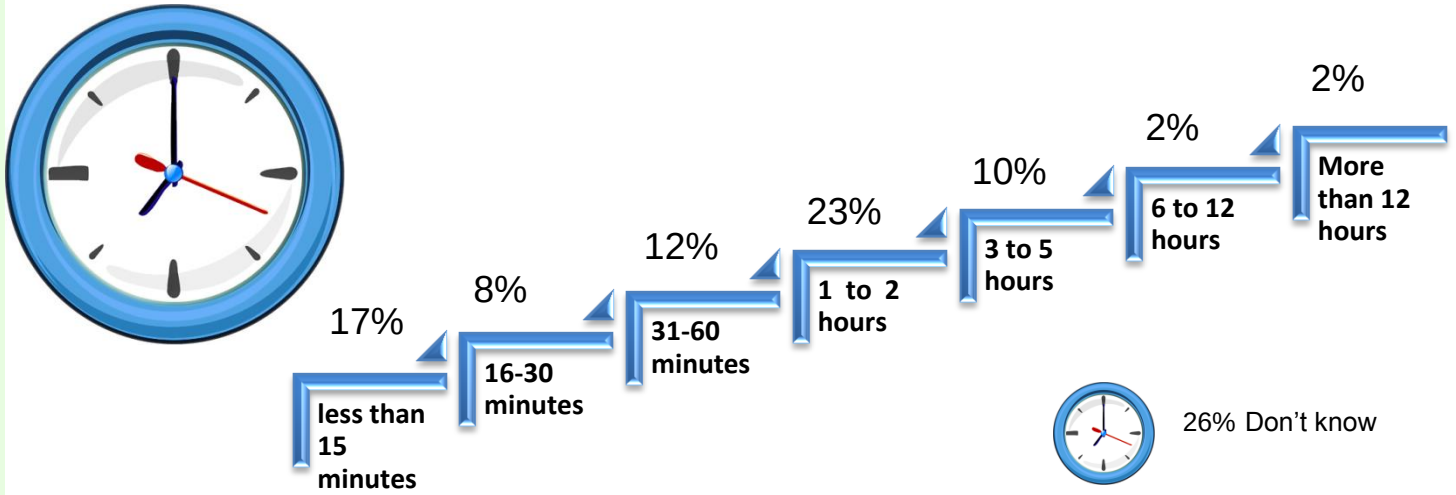
Whether an outage is planned or unplanned, the reality is that it is going to cause disruption and inconvenience under best case scenario and under worst case scenarios there could be safety and financial consequences.

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** | **CHEC** |
| **Responding to questions** | 61% | 71% |
| **Providing a reason for the outage** | 61% | 63% |
| **Providing an estimate when power will be restored** | 60% | 60% |
| **Responding to the power outage** | 81% | 84% |
| **Restoring power quickly** | 85% | 86% |
| **Communicating updates periodically** | 64% | 66% |
| **Posting information to the website** | 35% | 30% |
| **Using media channels for providing updates** | 53% | 45% |

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?*

Base: total respondents


33%

48%

| Percentage of Respondents who contacted their utility about the ice storm power outage | |
|---|---|
| | CHEC |
| Yes | 17% |
| No | 82% |

Base: total respondents affected by the ice storm

| CHEC<br>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% | 26% | 14% | 7% | 6% | 3% | 1% | 2% |

Base: total respondents 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; 93% of CHEC customers used the telephone to contact their utility.

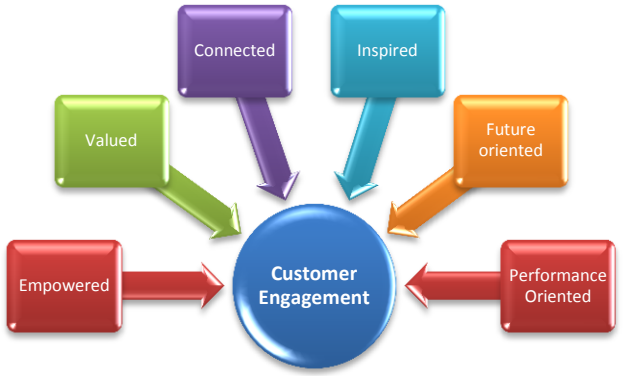
*In your view, what is an acceptable period of time to go without electricity in situations like the ice storm?*

Base: total respondents affected by the ice storm

| | |
|---|---|
| •None (the power shouldn't be going out) | 8% |
| •Less than 2 hours | 8% |
| •2 - 4 hours | 18% |
| •4+ hours or 1/2 day | 17% |
| •12 - 18 hours or 1/2 day to 3/4 day | 7% |
| •19 - 24 hours or 1 day | 13% |
| •1 to 1.5 days | 6% |
| •1 .6 to 2 days | 4% |
| •More than 2 days | 6% |

## 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) | | | |
|---|---|---|---|
| | **CHEC** | **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 612 CHEC customers [April 24 - May 2, 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).

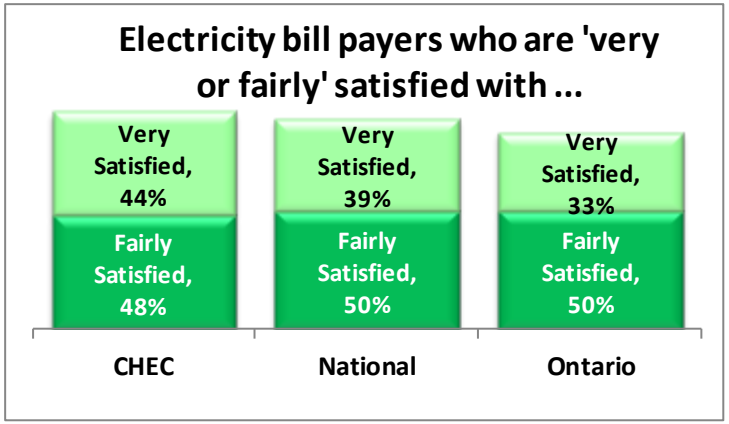
Satisfaction is an effectiveness rating of whether the objectives of process(s), service(s) or activities have been achieved. This makes Satisfaction, as a Scorecard measure, a rating that prompts discussion, planning, investing, and being connected to the Customer in order to effect an improved rating.

"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 |
| **CHEC** | 92% | 92% | - | - | - |
| **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.

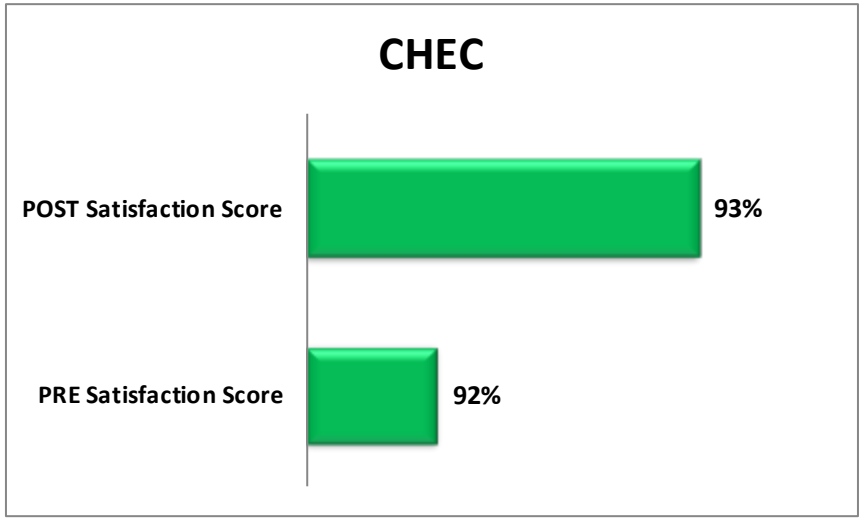

The synergy which exists between customer satisfaction and employee engagement has enormous implications for the performance of those who make up a utility's workforce. Many service personnel

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'** | **CHEC** | **National** | **Ontario** |
| **PRE: Initial Satisfaction Scores** | 92% | 89% | 83% |
| **POST: End of Interview** | 93% | 87% | 80% |

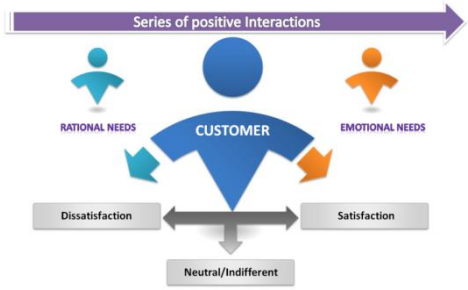
Base: total respondents

| SATISFACTION SCORES – Electricity customers' satisfaction | | | | | |
|---|---|---|---|---|---|
| **Top 2 Boxes: 'very + fairly satisfied'** | **2014** | **2013** | **2012** | **2011** | **2010** |
| **PRE: Initial Satisfaction Scores** | 92% | 92% | - | - | - |
| **POST: End of Interview** | 93% | 94% | - | - | - |

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 | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **RATIONAL NEEDS** | | | |
| **Provides consistent, reliable electricity** | 92% | 89% | 86% |
| **Quickly handles outages** | 90% | 86% | 83% |
| **Accurate billing** | 88% | 83% | 77% |
| **Provides good value for money** | 73% | 67% | 63% |
| **Is 'easy to do business' with** | 88% | 79% | 75% |
| **Operates a cost effective hydro-electric system** | 78% | 69% | 62% |
| **EMOTIONAL NEEDS** | | | |
| **Deals professionally with customers' problems** | 87% | 82% | 78% |
| **Provides information to help customers reduce electricity costs** | 80% | 77% | 75% |
| **Pro-active in communicating changes** | 81% | 74% | 73% |
| **Quickly deals with issues that affect customers** | 85% | 79% | 74% |
| **Adapts well to changes in customer expectations** | 78% | 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 CHEC.

- 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'** | **CHEC** | **National** | **Ontario** |
| **The time it took to contact someone** | 87% | 73% | 67% |
| **The time it took someone to deal with your problem** | 73% | 70% | 57% |
| **The helpfulness of the staff who dealt with you** | 75% | 74% | 65% |
| **The knowledge of the staff who dealt with you** | 75% | 69% | 61% |
| **The level of courtesy of the staff who dealt with you** | 84% | 82% | 75% |
| **The quality of information provided by the staff who dealt with you** | 72% | 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 | | | |
|---|---|---|---|
| | **CHEC** | **National** | **Ontario** |
| **Top 2 Boxes: 'very + fairly satisfied'** | 78% | 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% |

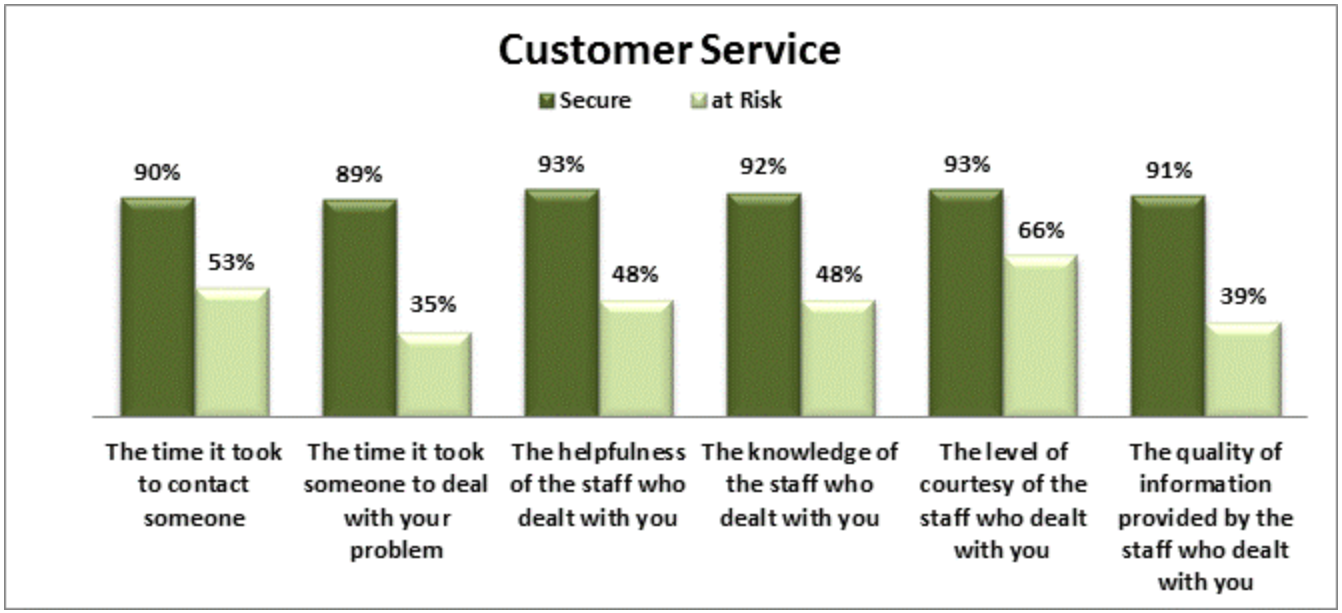
Base: data from the full 2014 database

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 | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **Deals professionally with customers' problems** | 87% | 82% | 78% |
| **Is pro-active in communicating changes and issues which may affect customers** | 81% | 74% | 73% |
| **Quickly deals with issues that affect customers** | 85% | 79% | 74% |
| **Customer-focused and treats customers as if they're valued** | 83% | 74% | 72% |
| **Is a company that is 'easy to do business with'** | 88% | 79% | 75% |
| **Cost of electricity is reasonable when compared to other utilities** | 64% | 60% | 55% |
| **Provides good value for money** | 73% | 67% | 63% |
| **Delivers on its service commitments to customers** | 89% | 84% | 82% |
| **Trusted and trustworthy company** | 88% | 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** | 78% | 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?*


**33%**

**48%**

Base: total respondents

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.

**CHEC**
**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% | 26% | 14% | 7% | 6% | 3% | 1% | 2% |

Base: total respondents 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 | |
|---|---|
| | **CHEC** |
| **Yes** | 17% |
| **No** | 82% |

Base: total respondents affected by the ice storm who contacted the utility about the outage during the 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.




| CHEC<br>Method used to contact electric utility about outage during the 2013 ice storm | | | | | | |
|---|---|---|---|---|---|---|
| **Telephone** | **E-mail** | **Website** | **Twitter** | **facebook** | **In person** | **Don't know** |
| 93% | 0% | 4% | 0% | 0% | 0% | 4% |

Base: total respondents affected by the ice storm who said they contacted the utility about the outage during the storm

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

Base: total respondents affected by the ice storm

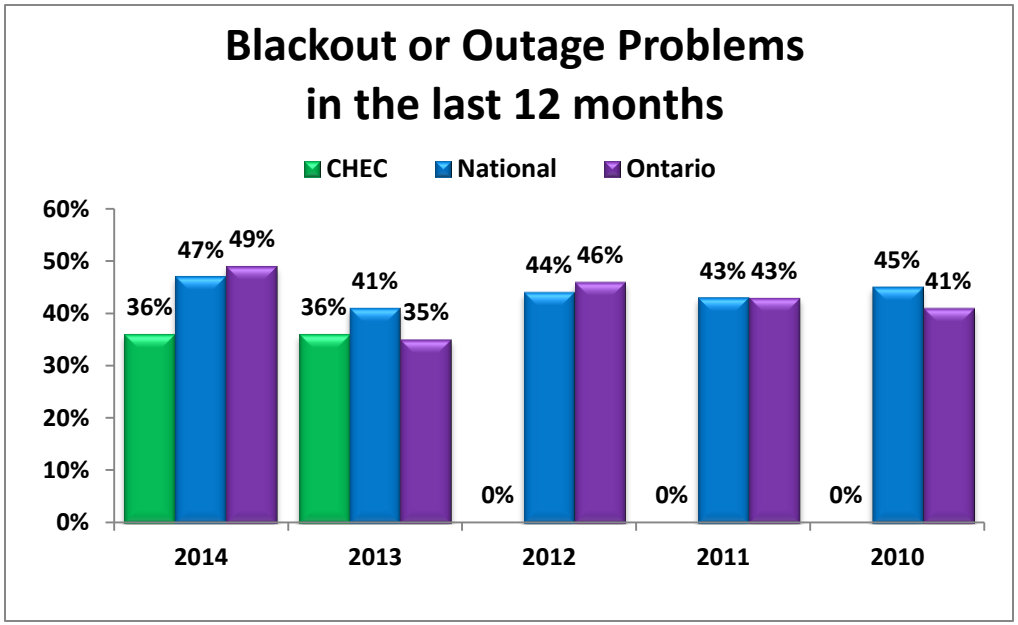
| | |
|---|---|
| •None (the power shouldn't be going out) | 8% |
| •Less than 2 hours | 8% |
| •2 - 4 hours | 18% |
| •4+ hours or 1/2 day | 17% |
| •12 - 18 hours or 1/2 day to 3/4 day | 7% |
| •19 - 24 hours or 1 day | 13% |
| •1 to 1.5 days | 6% |
| •1 .6 to 2 days | 4% |
| •More than 2 days | 6% |

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) CHEC "quickly handles outages and restores power".



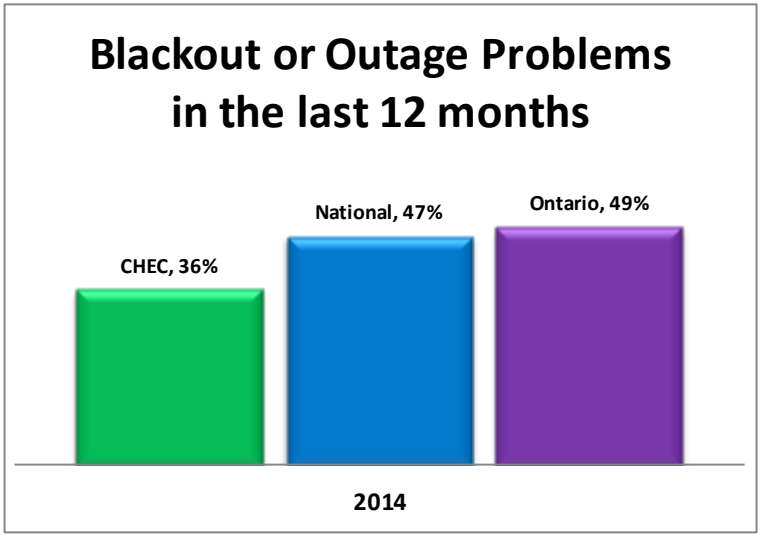

Base: total respondents / (-) not a participant of the survey year

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 | | | |
|---|---|---|---|
| | **CHEC** | **National** | **Ontario** |
| **2014** | 36% | 47% | 49% |
| **2013** | 36% | 41% | 35% |
| **2012** | - | 44% | 46% |
| **2011** | - | 43% | 43% |
| **2010** | - | 45% | 41% |

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

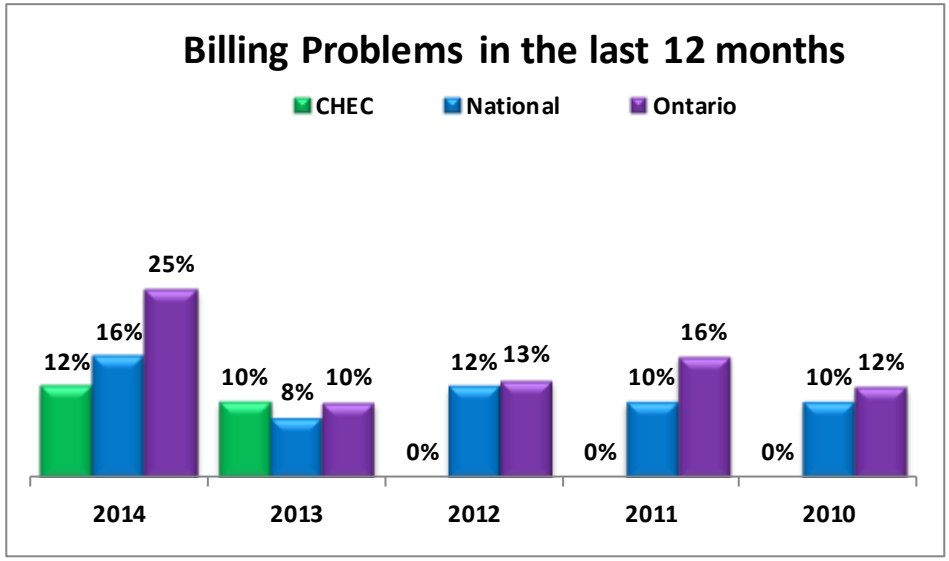



Base: total respondents

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.

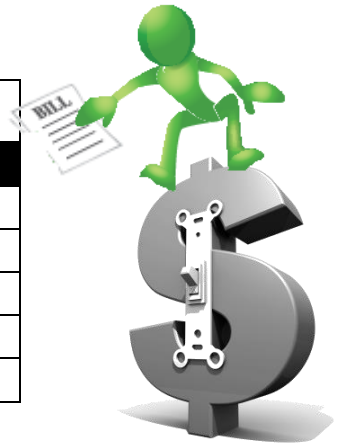
When it comes to billing, customers expect zero-defect delivery. Customers expect timely and accurate billings which they understand. Incorrect information, miscalculated balances, bills that are too difficult to understand result in time logged by your CSR's as well as dissatisfied customers. Improving 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

| Percentage of Respondents indicating that they had a Billing problem in the last 12 months | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **2014** | 12% | 16% | 25% |
| **2013** | 10% | 8% | 10% |
| **2012** | - | 12% | 13% |
| **2011** | - | 10% | 16% |
| **2010** | - | 10% | 12% |

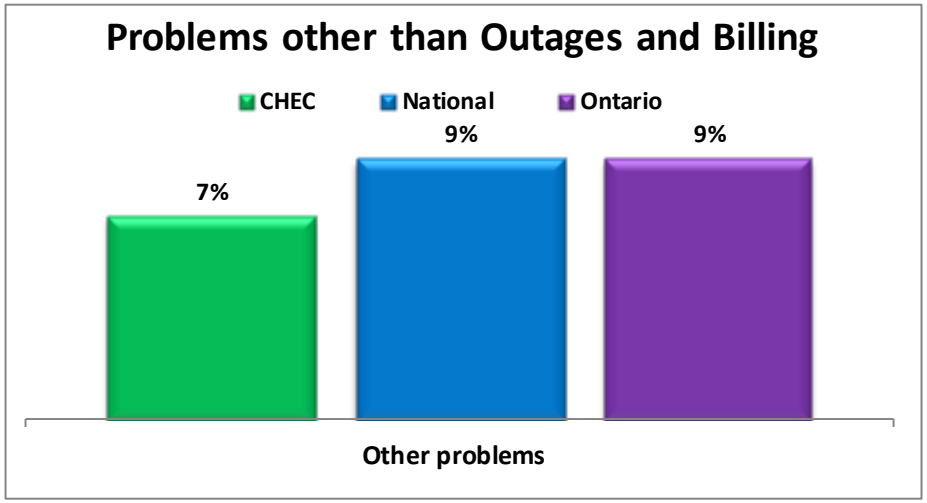
Base: total respondents / (-) not a participant of the survey year




| Types of Billing Problems | |
|---|---|
| | CHEC |
| **The amount owed was too high** | 62% |
| **Complaint about rates or charges** | 15% |
| **Pricing systems (tiers or flat)** | 4% |
| **The payment made was recorded incorrectly** | 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

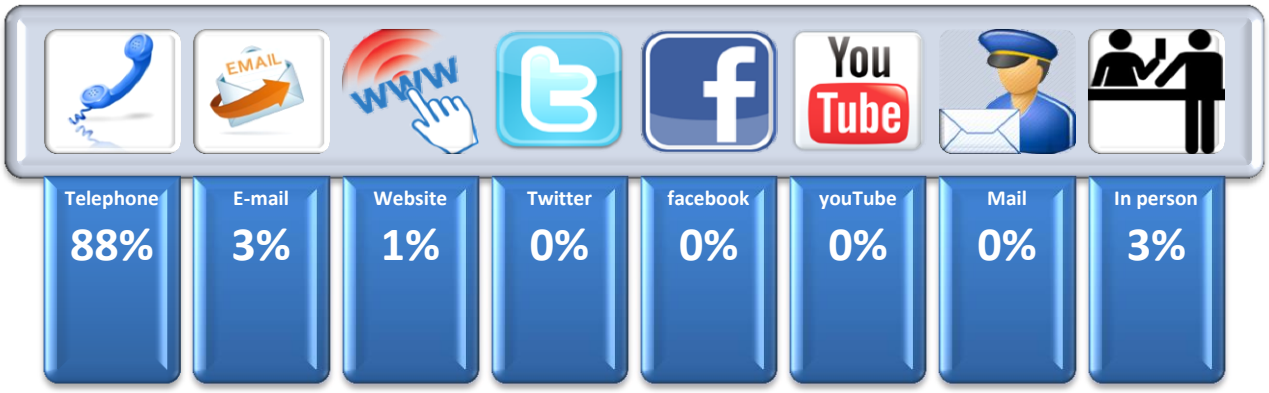
| Percentage of Respondents with problems other than billing or power outages in the last 12 months | | | |
|---|---|---|---|
| | **CHEC** | **National** | **Ontario** |
| **Yes** | 7% | 9% | 9% |
| **No** | 93% | 90% | 90% |

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 | | | |
|---|---|---|---|
| | **CHEC** | **National** | **Ontario** |
| **Yes** | 72% | 69% | 61% |
| **No** | 26% | 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% |

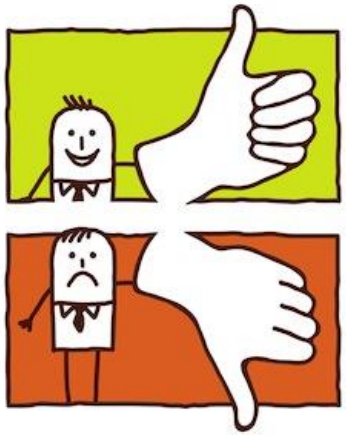
Base: data from the full 2014 database

| 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.



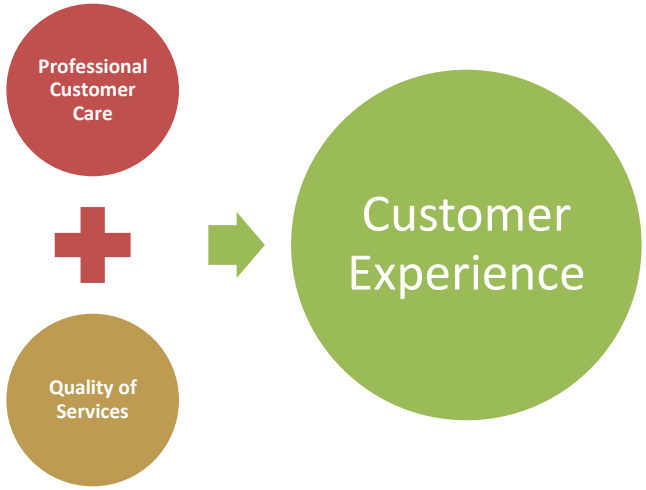
Great experiences occur when all functions of the organization align with one another to achieve the outcomes your customers seek. A good customer experience starts with understanding what your customers care about most and understanding which promises are most important to your customers.

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) | | | |
|---|---|---|---|
| | **CHEC** | **National** | **Ontario** |
| **CEPr: all respondents** | 87% | 82% | 79% |

Base: total respondents

The CEPr (all respondents) for CHEC is 87%. 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 CHEC 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 | | | |
|---|---|---|---|
| | CHEC | Recent Experience Satisfied | Recent Experience Dissatisfied |
| **Provides consistent, reliable electricity** | 92% | 91% | 74% |
| **Delivers on its service commitments to customers** | 89% | 88% | 62% |
| **Accurate billing** | 88% | 80% | 60% |
| **Quickly handles outages and restores power** | 90% | 89% | 74% |
| **Makes electricity safety a top priority** | 90% | 92% | 73% |
| **Uses responsible environmental practices when completing work** | 88% | 89% | 60% |
| **Is efficient at managing the hydro-electric system** | 86% | 83% | 61% |
| **Overall the utility provides excellent quality services** | 88% | 87% | 54% |

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.

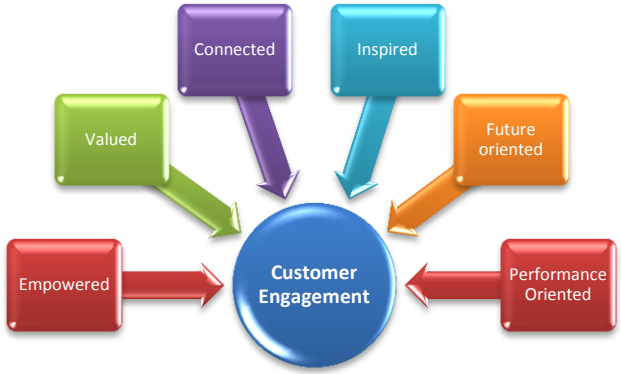
Your Annual UtilityPULSE survey tracks a customer's willingness to continue to do business, and willingness to recommend their local utility. Through a combination of calculations the end result is a Customer Loyalty index. That is, the number of customers that are: At risk, Indifferent, Favourable, 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) | | | |
|---|---|---|---|
| | **CHEC** | **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®

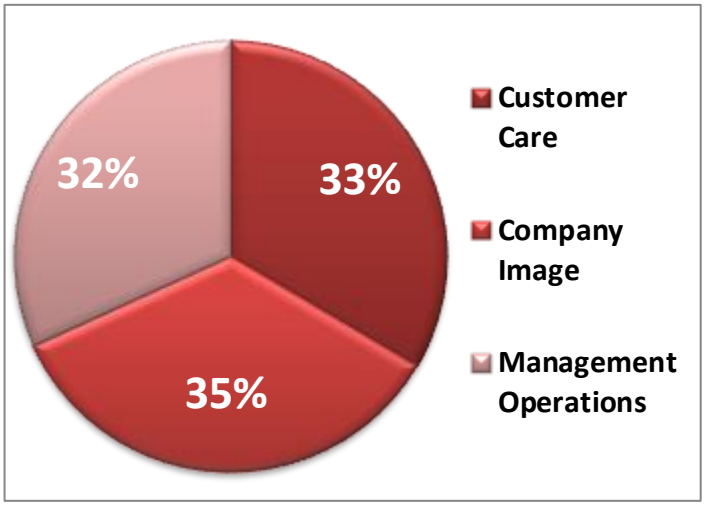
Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over sixteen years. The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot of performance – on the things that customers deem to be important. Research has identified 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 CHEC




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.

## CHEC's UtilityPULSE Report Card®

*Performance*

| | CATEGORY | CHEC | 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.

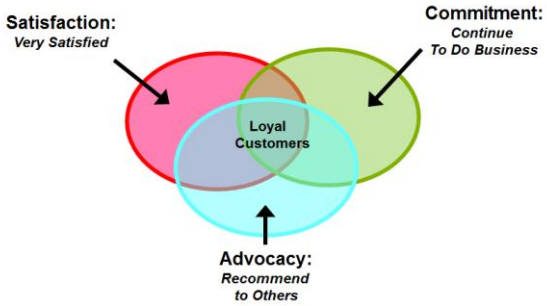
**Still favorable** customers are "very satisfied" overall, "definitely" or "probably" would recommend their local utility and not switch if they could.

**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**

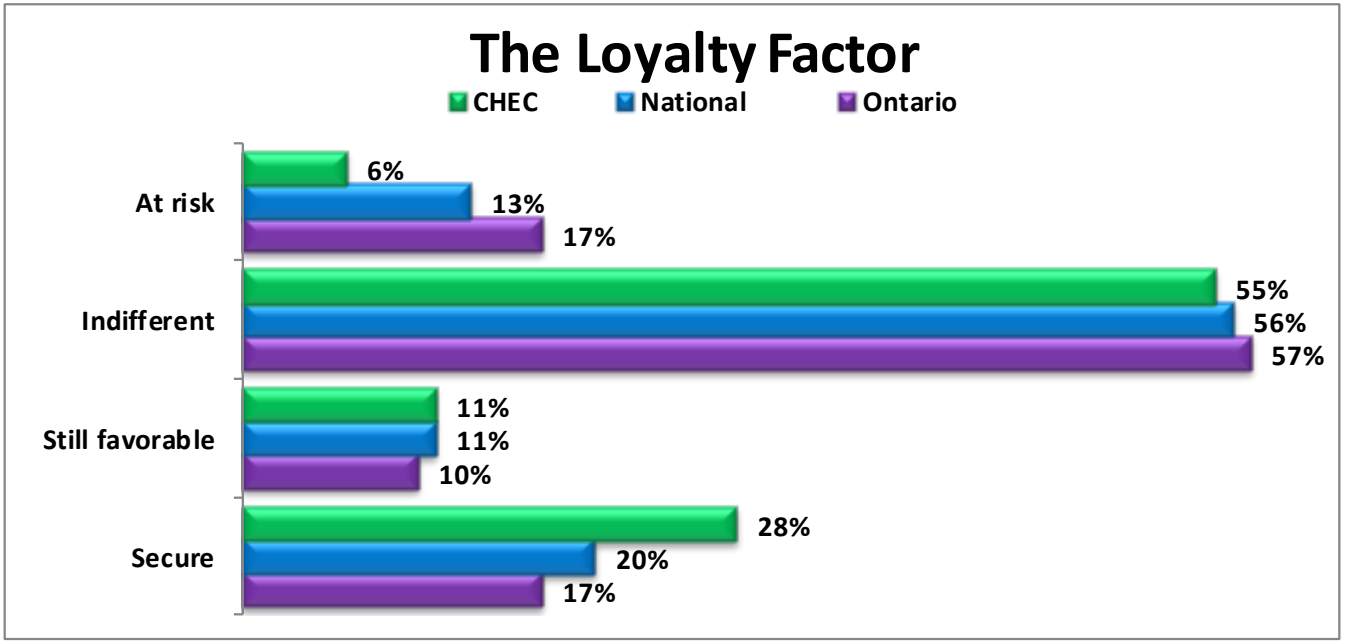



**Loyalty is based on likelihood to:**

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

| Customer Loyalty Groups | | | | |
|---|---|---|---|---|
| | Secure | Favorable | Indifferent | At Risk |
| | | CHEC | | |
| **2014** | 28% | 11% | 55% | 6% |
| **2013** | 33% | 13% | 49% | 5% |

Base: total respondents




Base: total respondents

| 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.

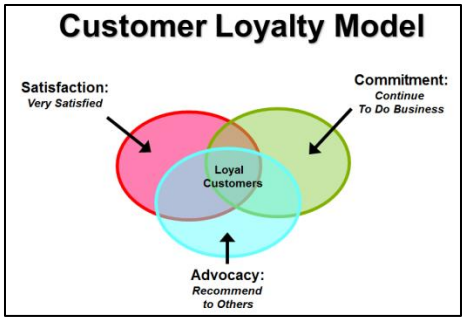
- Problems are experienced and remain unresolved far more often by the Indifferent or At Risk segments in comparison to others. This is not an unusual finding.
- Other areas of interaction also revealed considerable differences among the segments. Consistently, Secure customers' perceptions are most 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 | | | |
|---|---|---|---|
| | **CHEC** | **National** | **Ontario** |
| **Top 2 Boxes: 'Definitely + Probably' would continue** | 83% | 74% | 72% |
| **Definitely would continue** | 57% | 41% | 35% |
| **Probably would continue** | 27% | 32% | 37% |
| **Might or might not continue** | 3% | 8% | 7% |
| **Probably would not continue** | 4% | 4% | 5% |
| **Definitely would not continue** | 3% | 8% | 10% |

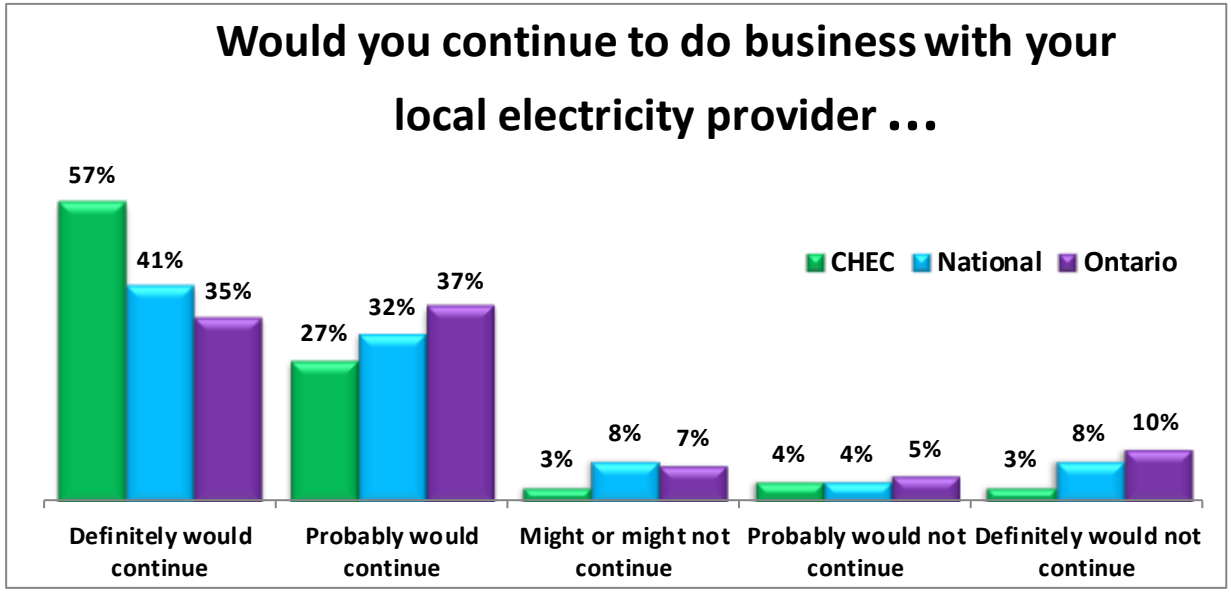
Base: total respondents

| Electricity customers' loyalty – … Is a company that you would like to continue to do business with | | | | |
|---|---|---|---|---|
| **CHEC** | **<$40K** | **$70K+** | **18-34** | **55+** |
| **Top 2 Boxes: 'Definitely + Probably' would continue** | 86% | 85% | 82% | 85% |

Base: total respondents

| Electricity customers' loyalty – Is a company that you would like to continue to do business with | | | | | |
|---|---|---|---|---|---|
| **CHEC** | **2014** | **2013** | **2012** | **2011** | **2010** |
| **Top 2 boxes: 'Definitely + Probably' would continue** | 83% | 85% | - | - | - |

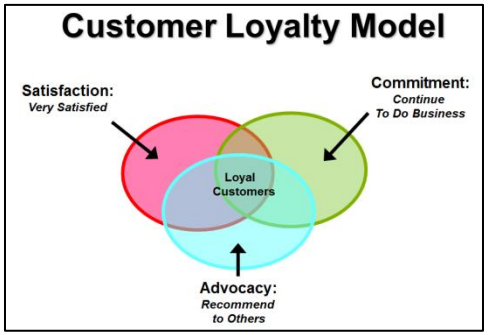
Base: total respondents



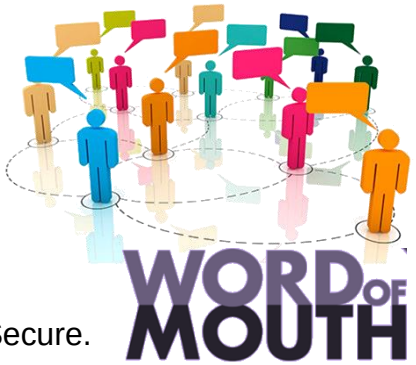

Base: total respondents

# 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.



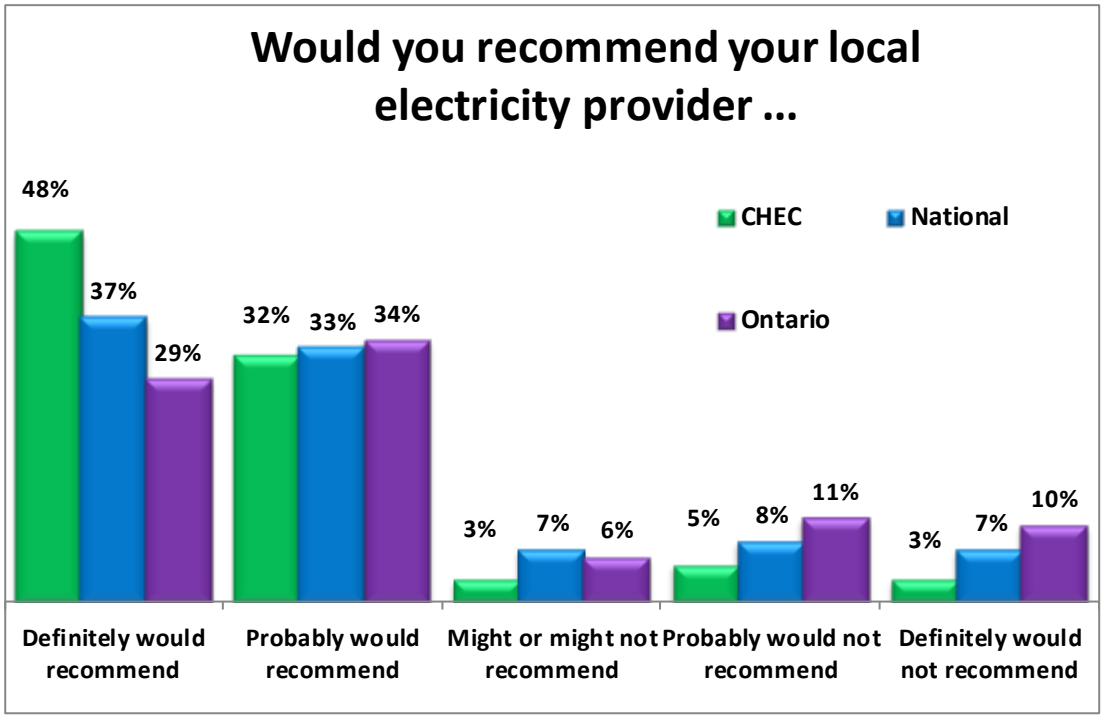
*There are two forms of word of mouth which utilities need to understand. The first is Experience-based word of mouth which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.*

*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? CHEC 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 | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **Top 2 boxes: 'Definitely + Probably' would recommend** | 79% | 69% | 63% |
| **Definitely would recommend** | 48% | 37% | 29% |
| **Probably would recommend** | 32% | 33% | 34% |
| **Might or might not recommend** | 3% | 7% | 6% |
| **Probably would not recommend** | 5% | 8% | 11% |
| **Definitely would not recommend** | 3% | 7% | 10% |

Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | | |
|---|---|---|---|---|
| CHEC | <$40K | $70K+ | 18-34 | 55+ |
| **Top 2 boxes: 'Definitely + Probably' would recommend** | 82% | 84% | 73% | 79% |

Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | | | |
|---|---|---|---|---|---|
| CHEC | 2014 | 2013 | 2012 | 2011 | 2010 |
| **Top 2 boxes: 'Definitely + Probably' would recommend** | 79% | 78% | - | - | - |

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 | | | |
|---|---|---|---|
| | **CHEC** | **National** | **Ontario** |
| **Is a respected company in the community** | 88% | 81% | 78% |
| **A leader in promoting energy conservation** | 84% | 78% | 77% |
| **Keeps its promises to customers and the community** | 87% | 79% | 76% |
| **Is a socially responsible company** | 88% | 78% | 77% |
| **Is a trusted and trustworthy company** | 88% | 82% | 77% |
| **Adapts well to changes in customer expectations** | 78% | 71% | 68% |
| **Is 'easy to do business with'** | 88% | 79% | 75% |
| **Provides good value for your money** | 73% | 67% | 63% |
| **Overall the utility provides excellent quality services** | 88% | 83% | 80% |
| **Operates a cost effective hydro-electric system** | 78% | 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 | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **Topics that require more pro-active communication** | | | |
| **Cost of electricity is reasonable when compared to other utilities** | 64% | 60% | 55% |
| **Provides information to help customers reduce electricity costs** | 80% | 77% | 75% |
| **Adapts well to changes in customer expectations** | 78% | 71% | 68% |
| **Operates a cost effective hydro-electric system** | 78% | 69% | 62% |
| **Provides good value for money** | 73% | 67% | 63% |
| **Topics that your utility scores very well on** | | | |
| **Is a trusted and trustworthy company** | 88% | 82% | 77% |
| **Respected company in the community** | 88% | 81% | 78% |
| **Accurate billing** | 88% | 83% | 77% |
| **Overall the utility provides excellent quality services** | 88% | 83% | 80% |
| **Provides consistent, reliable energy** | 92% | 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.

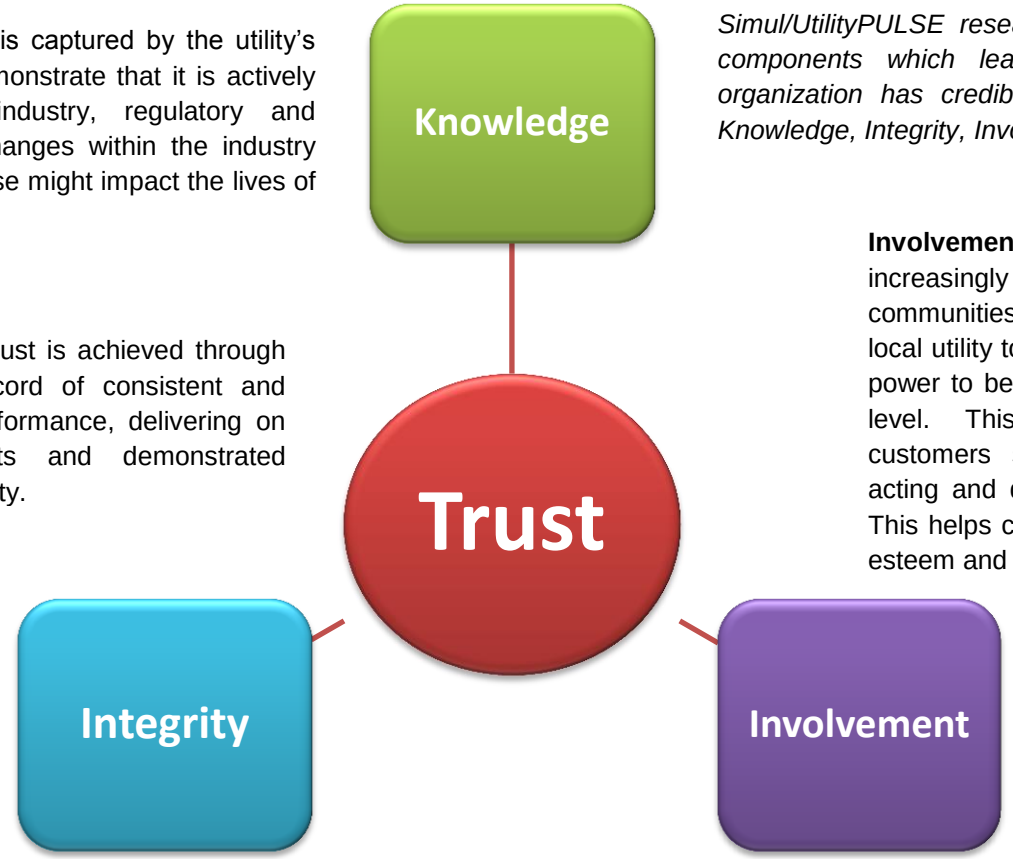
| Attributes strongly linked to Credibility & Trust | | | |
|---|---|---|---|
| | CHEC | National | Ontario |
| **Overall the utility provides excellent quality services** | 88% | 83% | 80% |
| **Keeps its promises to customers and the community** | 87% | 79% | 76% |
| **Customer-focused and treats customers as if they're valued** | 83% | 74% | 72% |
| **Is a trusted and trustworthy company** | 88% | 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**<br><br>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**<br><br>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**<br>The utility is actively involved in the industry, in the community and in things that affect the customer. |
| **Trust**<br><br>The utility is an organization that can be trusted and is worthy of respect. |
| **Overall CHEC 85%  [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 CHEC could do to improve service to their customers?*

| One or two most important things 'your local utility' could do to improve service | |
|---|---|
| **CHEC** | **% of all suggestions** |
| **Better prices/lower rates** | 39% |
| **Better maintenance** | 15% |
| **Improve reliability of power** | 11% |
| **Better online presence** | 10% |
| **Eliminate SMART meters** | 7% |
| **Improve/simplify/clarify billing** | 7% |
| **Better communication with customers** | 7% |
| **Be more efficient** | 7% |
| **Information & incentives on energy conservation** | 6% |
| **Extend service hours/availability of hydro representative** | 4% |
| **Remove hidden costs on bills** | 3% |
| **Staff related concerns** | 3% |
| **Don't charge for previous debt** | 3% |

Base: total respondents with suggestions

# What do customers think about electricity costs?

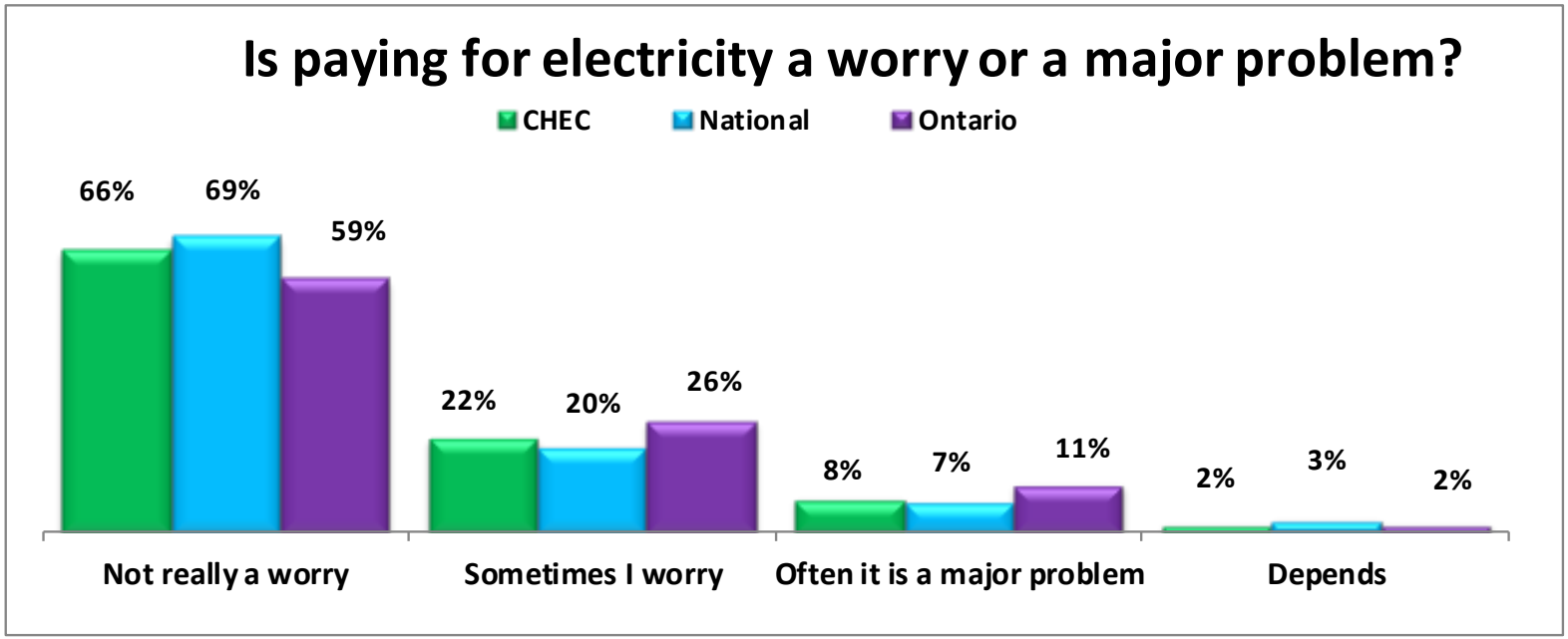
Ask a utility customer – anywhere in the province of Ontario – what do they think about electricity, there is a very high probability that they will say that electricity costs are too high or too expensive. For customers who said that they had a billing problem in the last 12 months, and stated that 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 |
| | CHEC | | | |
| **2014** | 66% | 22% | 8% | 2% |
| **2013** | 67% | 24% | 4% | 3% |

Base: total respondents




Base: total respondents

| Is paying for electricity a worry or a major problem? | | | | |
|---|---|---|---|---|
| | Not a worry | Sometimes | Often | Depends |
| | | CHEC | | |
| **<$40,000** | 46% | 38% | 14% | 2% |
| **$40<$70,000** | 64% | 22% | 11% | 2% |
| **$70,000+** | 80% | 11% | 7% | 1% |

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.

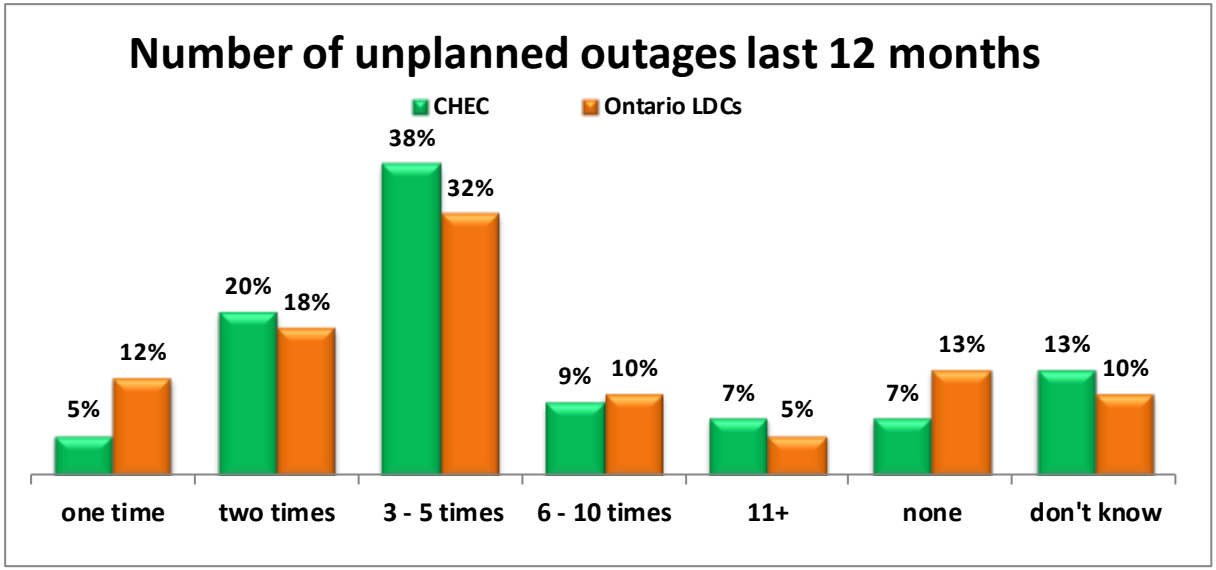
| In your view, what is an acceptable period of time to go without electricity in situations like Ice Storm 2013? | | |
|---|---|---|
| | **Residential** | **Commercial** |
| **None (the power shouldn't be going out)** | 7% | 8% |
| **Less than 2 hours** | 11% | 12% |
| **2-4 hours** | 17% | 17% |
| **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

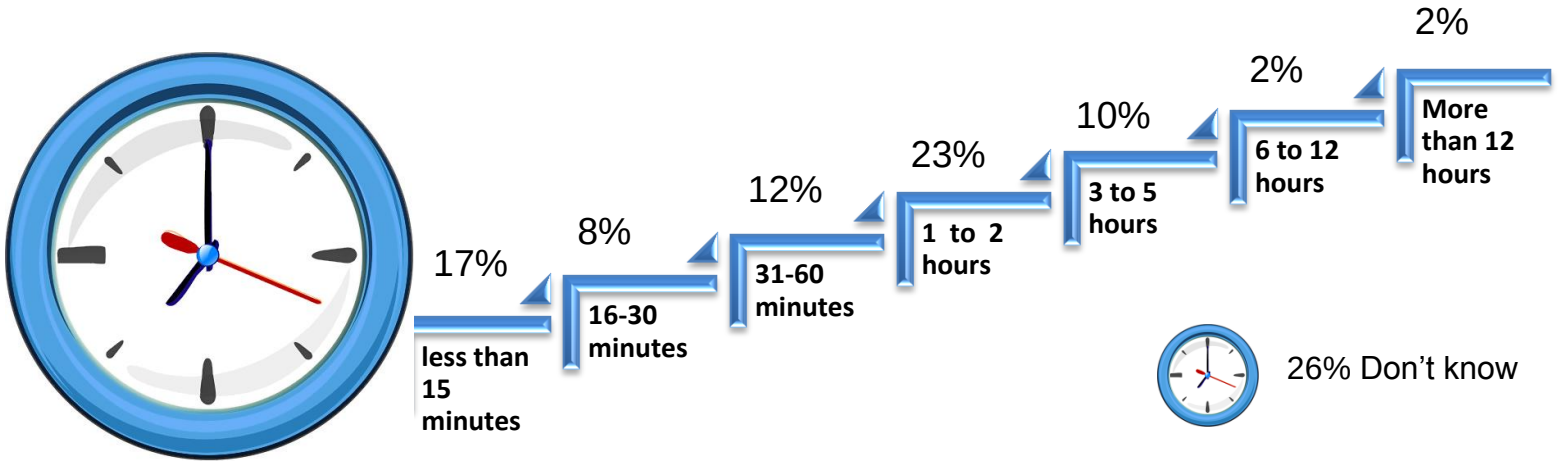
# Outage Communications

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.

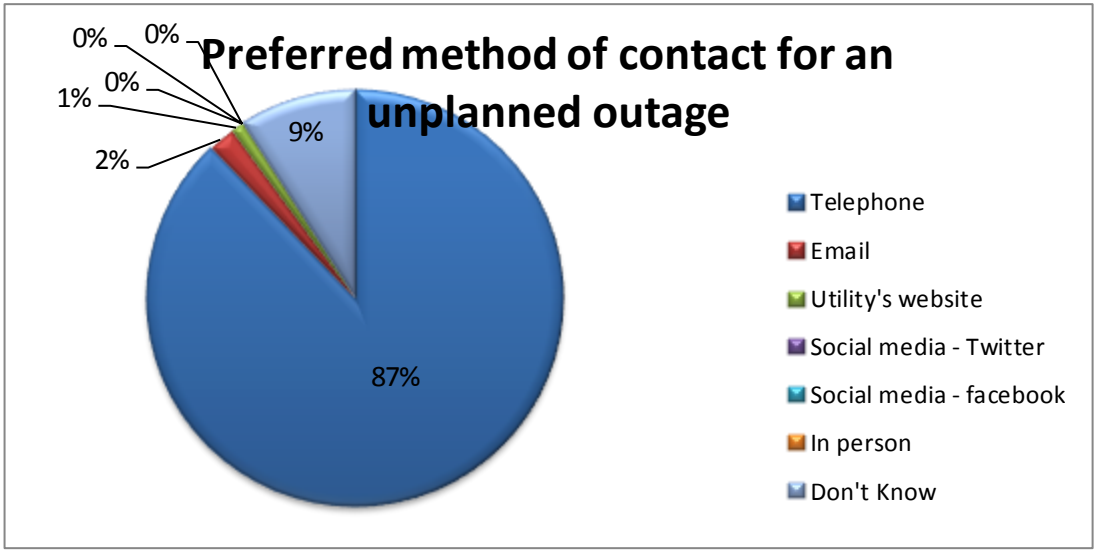
How a utility chooses to handle, manage and communicate with customers during an outage situation does affect customers' satisfaction with their utility. Customers want timely, accurate and relevant information about an outage and customers expect a utility various communication channels to ensure their 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** | **CHEC** |
| **Responding to questions** | 61% | 71% |
| **Providing a reason for the outage** | 61% | 63% |
| **Providing an estimate when power will be restored** | 60% | 60% |
| **Responding to the power outage** | 81% | 84% |
| **Restoring power quickly** | 85% | 86% |
| **Communicating updates periodically** | 64% | 66% |
| **Posting information to the website** | 35% | 30% |
| **Using media channels for providing updates** | 53% | 45% |

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

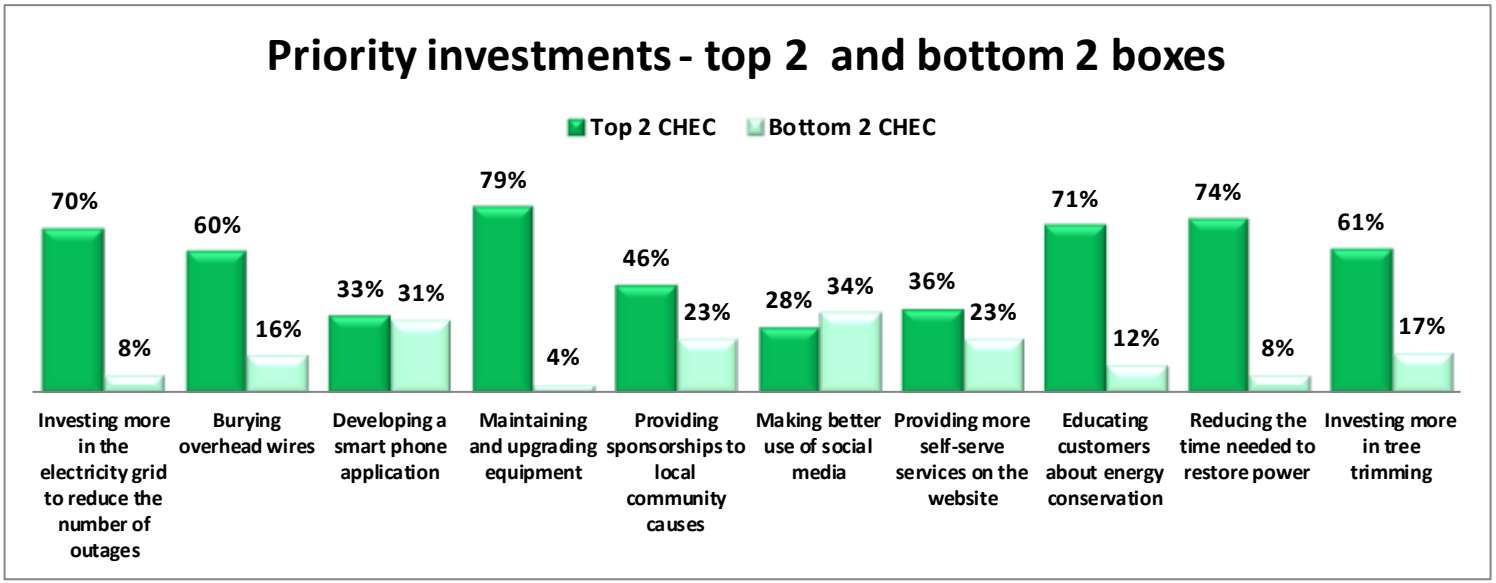
While regulation and reliability are top concerns in the utility industry, aging infrastructure is now a top operational concern. Major issues around electricity are that generation investment has been deferred and major improvements are needed in distribution and transmission. Customers agree with industry 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** | **CHEC** |
| **Investing more in the electricity grid to reduce the number of outages** | 74% | 70% |
| **Burying overhead wires** | 60% | 60% |
| **Developing a smart phone application** | 31% | 33% |
| **Maintaining and upgrading equipment** | 83% | 79% |
| **Providing sponsorships to local community causes** | 43% | 46% |
| **Making better use of social media** | 30% | 28% |
| **Providing more self-serve services on the website** | 38% | 36% |
| **Educating customers about energy conservation** | 74% | 71% |
| **Reducing the time needed to restore power** | 79% | 74% |
| **Investing more in tree trimming** | 58% | 61% |

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



Are CHEC customers willing to foot the bill for further improvements? 46% of CHEC respondents expressed a willingness to pay at least something to better their electricity system. 46% of respondents were not willing to incur any additional costs while 6% were not sure of their position. Where respondents varied was on how much they were actually willing to pay.

| Willingness to pay for further improvements | |
|---|---|
| **Using the scale of $0 to $10 per month** | **CHEC** |
| **$0** | 46% |
| **$1 - 2** | 7% |
| **$3 - 4** | 5% |
| **$5 - 6** | 21% |
| **$7 - 8** | 1% |
| **$9 - 10** | 11% |
| **$11+** | 1% |
| **Don't know** | 9% |

Base: total respondents

# 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** | **CHEC** |
| **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% | 84% |

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 | | | | |
|---|---|---|---|---|
| **Ontario LDCs** | **Yes** | **No** | **Already Done** | **Don't Know** |
| **Install energy-efficient light bulbs or lighting equipment** | 19% | 9% | 70% | 1% |
| **Install timers on lights or equipment** | 12% | 50% | 35% | 2% |
| **Shift use of electricity to lower cost periods** | 22% | 17% | 58% | 3% |
| **Install window blinds or awnings** | 12% | 27% | 60% | 2% |
| **Install a programmable thermostat** | 13% | 25% | 60% | 2% |
| **Have an energy expert conduct an energy audit** | 9% | 71% | 16% | 4% |
| **Removing old refrigerator or freezer for free** | 14% | 44% | 38% | 4% |
| **Join the peaksaverPLUS™ program** | 15% | 49% | 21% | 16% |
| **Replacing furnace with a high efficiency model** | 12% | 33% | 52% | 4% |
| **Replacing air-conditioner with a high efficiency model** | 14% | 38% | 44% | 4% |
| **Use a coupon to purchase qualified energy saving products** | 35% | 39% | 22% | 5% |

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** |
| **Yes** | 87% |
| **No** | 13% |

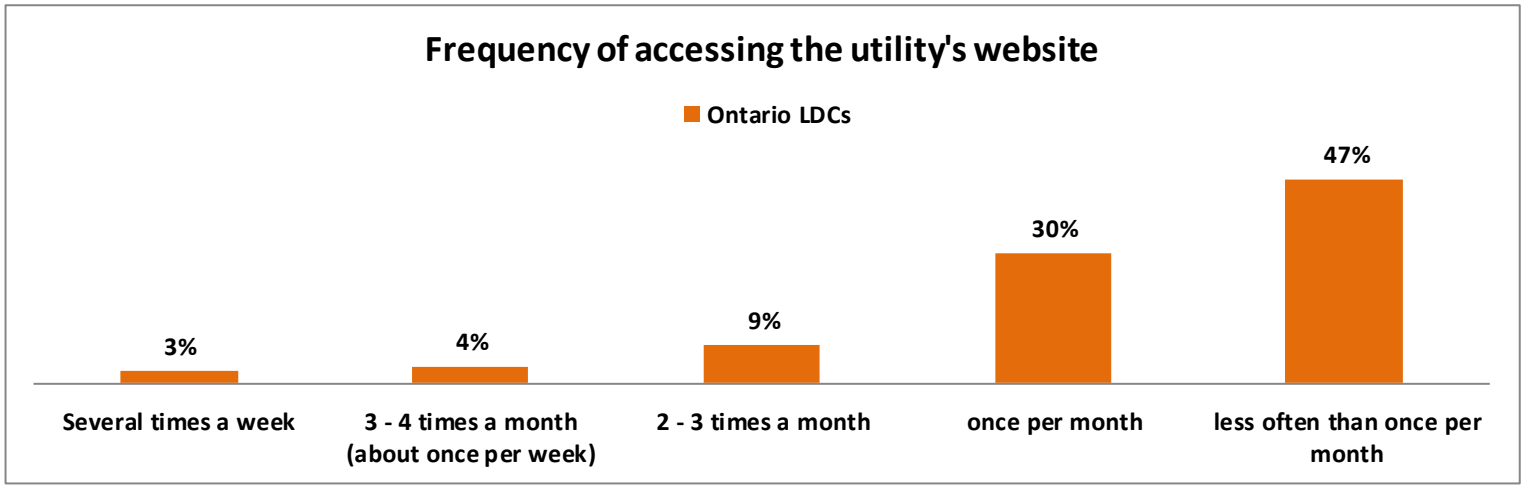
Base: An aggregate of respondents from 2014 participating LDCs

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?**


Base: An aggregate of respondents from 2014 participating LDCs




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** |
| **Setting up a new account** | 31% |
| **Arranging a move** | 38% |
| **Accessing information about your bill** | 55% |
| **Accessing information about your electricity usage** | 54% |
| **Accessing energy saving tips and advice** | 45% |
| **Accessing information about Time Of Use rates** | 51% |
| **Maintaining information about your account or preferences** | 51% |
| **Paying your bill through the utility's website** | 32% |
| **Getting information about power outages** | 47% |
| **Arranging for service** | 40% |

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%

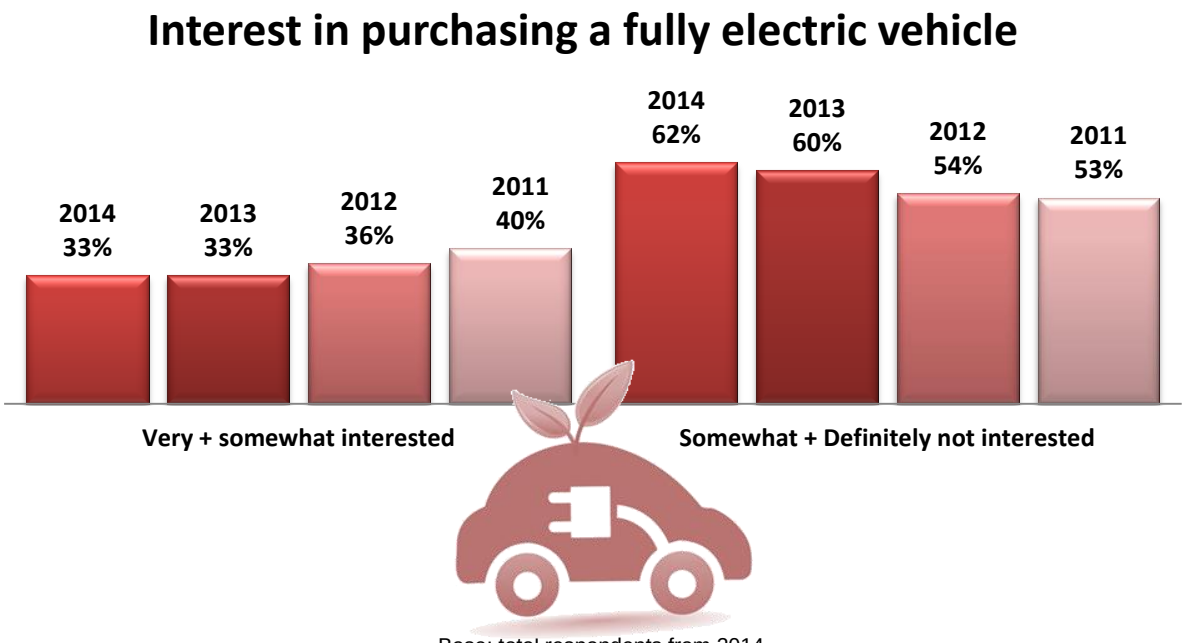
24%

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 April 24 - May 2, 2014, with 612 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by CHEC.

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 612 residential and commercial customers will differ by no more than ±3.96 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 3.96 percentage points in either direction from results that would have been obtained by interviewing all CHEC 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 1,813 households and businesses from the customer list supplied by CHEC. The 612 who completed the interview represent a 34% 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 CHEC 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 3.68 for providing consistent, reliable electricity. The average is 3.21 for providing information to help customers reduce their energy costs.

For reliable electricity the standard deviation is 0.54. For affordable energy the S.D. is 0.86. These findings mean there is a wider range of opinion – meaning less consensus – about whether CHEC provides information to help customers to reduce their energy costs than about whether CHEC 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:**

**Sid Ridgley, CSP, MBA**

**Phone: (905) 895-7900 Fax: (905) 895-7970 E-mail: sidridgley@utilitypulse.com or sridgley@simulcorp.com**

## Attachment C – WDI 2013 Financial Statement

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# WASAGA DISTRIBUTION INC.

**FINANCIAL STATEMENTS**
**DECEMBER 31, 2013**

**CONTENTS**

# GAVILLER & COMPANY LLP
**CHARTERED ACCOUNTANTS**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Wasaga Distribution Inc.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Wasaga Distribution Inc., which comprise the balance sheet as at December 31, 2013, and the income and retained income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wasaga Distribution Inc. as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally acceptable accounting principles.

*Gaviller & Company LLP*
Licensed Public Accountants
Collingwood, Ontario
April 28, 2014

# WASAGA DISTRIBUTION INC.

## BALANCE SHEET
## AS AT DECEMBER 31

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Current | | |
| Cash and equivalents (Note 3) | **3,805,438** | 2,026,425 |
| Accounts receivable (Note 8) | **1,674,678** | 1,657,375 |
| Unbilled revenue | **1,696,018** | 1,246,872 |
| Prepaid expenses | **121,217** | 102,805 |
| Due from Wasaga Resource Services Inc. (Note 8) | **-** | 3,316,355 |
| Taxes recoverable | **128,258** | 133,089 |
| | **7,425,609** | 8,482,921 |
| Property, plant and equipment | | |
| Land | **645,041** | 616,620 |
| Buildings | **1,486,024** | 1,021,270 |
| Distribution stations | **3,329,020** | 3,244,414 |
| Distribution lines - overhead | **7,534,984** | 7,312,133 |
| Distribution lines - underground | **5,758,895** | 5,398,317 |
| Distribution transformers | **4,536,609** | 4,261,286 |
| Distribution services | **6,222,224** | 5,715,328 |
| Equipment under capital lease (Note 6) | **126,793** | 126,793 |
| Construction in progress | **-** | 376,814 |
| Contributions in aid of construction (Note 5) | **(6,352,712)** | (5,629,198) |
| | **23,286,878** | 22,443,777 |
| Accumulated amortization | **(12,040,665)** | (11,506,273) |
| | **11,246,213** | 10,937,504 |
| Other | | |
| Long-term investments (Note 4) | **9,150** | 100 |
| Intangible asset - computer software, net of accumulated amortization of $32,728 (2012 - $18,949) | **107,647** | 121,426 |
| Future taxes recoverable | **143,879** | 134,704 |
| | **260,676** | 256,230 |
| | **18,932,498** | 19,676,655 |

Approved on behalf of the Board:

_____

_____

See accompanying notes to the financial statements

# WASAGA DISTRIBUTION INC.

## BALANCE SHEET
## AS AT DECEMBER 31

| | 2013 | 2012 |
|---|---|---|
| | **$** | $ |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accruals (Notes 5 and 8) | **3,050,097** | 2,743,475 |
| Customer deposits | **127,907** | 133,718 |
| Current portion of equipment under capital lease (Note 6) | **25,310** | 24,220 |
| | **3,203,314** | 2,901,413 |
| Long-term | | |
| Due to developers (Note 5) | **217,991** | 206,441 |
| Equipment under capital lease (Note 6) | **54,087** | 79,397 |
| Note payable to the Town of Wasaga Beach (Note 7) | **3,593,269** | 3,593,269 |
| Regulatory (Note 9) | **1,719,074** | 2,644,612 |
| | **5,584,421** | 6,523,719 |
| Total liabilities | **8,787,735** | 9,425,132 |
| **Shareholder's equity** | | |
| Capital stock | | |
| Authorized | | |
| Unlimited common shares | | |
| Issued | | |
| 100 common shares | **100** | 100 |
| Retained income | **4,969,195** | 5,075,955 |
| Miscellaneous paid-in capital | **5,175,468** | 5,175,468 |
| Total shareholder's equity | **10,144,763** | 10,251,523 |
| | **18,932,498** | 19,676,655 |

See accompanying notes to the financial statements

# WASAGA DISTRIBUTION INC.

## INCOME AND RETAINED INCOME STATEMENT
## FOR THE YEAR ENDED DECEMBER 31

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Revenue | | |
| Sale of power | **13,040,219** | 11,234,637 |
| Distribution services | **3,233,773** | 4,027,806 |
| | **16,273,992** | 15,262,443 |
| Cost of power | **13,040,219** | 11,234,637 |
| Distribution income (19.9%; 2012- 26.4%) | **3,233,773** | 4,027,806 |
| Other operating revenue | | |
| Rental (Note 8) | **308,202** | 296,023 |
| Other | **205,867** | 291,288 |
| | **3,747,842** | 4,615,117 |
| Operating and maintenance expense | | |
| Administration and general (Note 8) | **1,053,973** | 966,298 |
| Amortization | **565,048** | 790,892 |
| Billing and collecting (Note 8) | **861,285** | 1,005,998 |
| Community relations | **4,804** | 11,652 |
| Distribution expenses - maintenance (Note 8) | **708,239** | 730,689 |
| Distribution expenses - operation (Note 8) | **68,206** | 74,969 |
| Interest (Notes 7, 8 and 9) | **185,957** | 263,962 |
| Other | **4,762** | 4,460 |
| Property taxes (Note 8) | **26,361** | 24,670 |
| | **3,478,635** | 3,873,590 |
| Net income before taxes | **269,207** | 741,527 |
| Provision for (recovery of) taxes | | |
| Current | **(14,858)** | 9,552 |
| Future | **(9,175)** | 48,401 |
| | **(24,033)** | 57,953 |
| **Net income for the year** | **293,240** | 683,574 |
| Retained income, beginning of year | **5,075,955** | 4,792,381 |
| Dividends | **(400,000)** | (400,000) |
| **Retained income, end of year** | **4,969,195** | 5,075,955 |

See accompanying notes to the financial statements

# WASAGA DISTRIBUTION INC.

## CASH FLOW STATEMENT
## FOR THE YEAR ENDED DECEMBER 31

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| **Cash flows from (for):** | | |
| **Operating activities** | | |
| Net income for the year | **293,240** | 683,574 |
| Items not involving cash | | |
| Amortization | **565,048** | 790,892 |
| Unbilled revenue | **(449,146)** | 138,947 |
| Future taxes recoverable | **(9,175)** | 48,401 |
| Loss on sale of property, plant and equipment | **1,556** | 50,998 |
| | **401,523** | 1,712,812 |
| Changes in | | |
| Accounts receivable | **(17,303)** | (110,076) |
| Prepaid expenses | **(18,412)** | (60,565) |
| Taxes recoverable | **4,831** | 70,756 |
| Accounts payable and accruals | **306,622** | 434,885 |
| Customer deposits | **(5,811)** | 19,429 |
| Due to developers | **11,550** | (30,909) |
| | **683,000** | 2,036,332 |
| **Financing activities** | | |
| Due from Wasaga Resource Services Inc. | **3,316,355** | - |
| Repayment of capital lease liability | **(28,200)** | (23,178) |
| Dividends paid | **(400,000)** | (400,000) |
| Regulatory liabilities | **(925,538)** | (700,158) |
| | **1,962,617** | (1,123,336) |
| **Investing activities** | | |
| Acquisition of property, plant and equipment | **(866,604)** | (1,073,317) |
| Acquisition of intangible assets | **-** | (89,000) |
| | **(866,604)** | (1,162,317) |
| **Change in cash** | **1,779,013** | (249,321) |
| Cash position, beginning of year | **2,026,425** | 2,275,746 |
| **Cash position, end of year** | **3,805,438** | 2,026,425 |

See accompanying notes to the financial statements

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

## 1. Significant accounting policies

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements:

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") including accounting directives prescribed by its regulator, the Ontario Energy Board (OEB) through the accounting procedures handbook and other guidance.

In its capacity to approve or set rates, the OEB has the authority to specify regulatory treatments that may result in treatments that differ from GAAP for non-rate regulated entities. Due to the regulatory framework, the timing and recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from then otherwise expected under GAAP for non-rate regulated entities.

(b) Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The most significant estimates are the allowance for doubtful accounts included in accounts receivable, useful lives of capital assets included in property, plant and equipment and economic evaluations included in accounts payable and accruals and due to developers. Actual results could differ from those estimates.

(c) Regulation

The Company's distribution of electricity is subject to rate regulation by the OEB. This rate regulation results in the Company accounting for specific transactions differently than it would if it was not rate-regulated. The differences in accounting treatment give rise to regulatory assets or liabilities. These balances will be recovered from or returned to customers by increases or decreases to rates in the future. Details of the regulatory assets and liabilities that would otherwise be recognized as revenue or expenses are included in Note 9.

The electricity rates charged by the Company are approved on an annual basis using performance-based regulation. In 2013 the Company was authorized to earn 8.98% on equity and 4.12% on debt with a deemed capital structure of 60% debt to 40% equity. The most recent cost of service application was approved by OEB order on November 29, 2012, at which time the Company was authorized to earn 9.12% on equity and 4.41% on debt with a deemed capital structure of 60% debt to 40% equity.

(d) Cash and equivalents

Cash is defined as cash on hand, cash on deposit and term deposits with maturity dates of less than 90 days, net of outstanding deposits and cheques issued and outstanding at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

**1. Significant accounting policies (continued)**

(e) Revenue recognition

The Company recognizes revenue on an accrual basis. This includes unbilled revenue, which is an estimate of electricity consumed by customers to the end of year but not yet billed by the Company.

Sale of power represents the amount of electricity sales to customers.

Distribution services revenue is the amount of return the Company is authorized to earn for electrical distribution services, as approved by the OEB.

Other income includes charges for late payments, disconnects, reconnects, occupancy and collection, which are billed when services are rendered. Also included in other income are gains and losses recognized on disposal of property, plant and equipment and interest income recorded as earned.

(f) Long-term investments

The Company records its long-term investments using the cost method.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Property, plant and equipment are amortized over their estimated useful lives, using the straight-line method. Contributions received in aid of construction of property, plant and equipment are capitalized and amortized at the same rate as the related asset. Amortization rates are as follows:

| | |
|---|---|
| Buildings | 2% |
| Distribution stations | 2% to 5% |
| Distribution equipment | 2% to 10% |
| Equipment under capital lease | 2% to 5% |

Construction in progress includes assets not in use at year end and is not amortized.

(h) Intangible assets

Intangible assets are externally acquired and are stated at cost. Amortization is provided on a straight-line basis over their estimated useful service lives at the following annual rates:

| | |
|---|---|
| Computer software | 20% |

(i) Economic evaluation

Economic evaluation is an estimate of amounts due to subdivision developers in the future as repayment for the developers' installation of hydro infrastructure. The liability is included in accounts payable and accruals and due to developers.

(j) Taxes

Taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future tax liabilities or assets. Future tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

## 2. Tax status

The Company is exempt from income taxes under section 149 of the Income Tax Act. The Company is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned.

## 3. Financial instruments

The Company's financial instruments consist of cash and equivalents, accounts receivable, unbilled revenue, taxes recoverable, long-term investments, accounts payable, customer deposits, due from Wasaga Resources Services Inc. and long-term liabilities. It is management's opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments. Fair value does not vary significantly from recorded value.

At the end of 2013 the Company had $2,500,000 (2012 - $NIL) of term deposits, which are included in cash and equivalents. Term deposits consist of two guaranteed investment certificates from a Canadian chartered bank earning interest of 1.54% and 1.52%, maturing February 14, 2014 and March 17, 2014, respectively.

## 4. Long-term investments

| | **2013** | 2012 |
|---|---|---|
| | **$** | **$** |
| Utility Collaborative Services Inc., recorded at cost | **100** | 100 |
| Utilismart Corporation, recorded at cost | **9,050** | - |
| | **9,150** | 100 |

## 5. Contributions in aid of construction

Under the terms of the Distribution System Code, the Company cannot charge a developer more than the difference between the present value of the projected capital costs and ongoing maintenance costs for the equipment and the present value of the projected revenue for distribution services provided by those facilities. These amounts are determined by an economic evaluation study of the project. The Company estimates that it will return $281,318 (2012 - $267,197) of the amounts collected. The liability is included in accounts payable and accruals and due to developers. The balance of $6,352,712 (2012 - $5,629,198) is recorded as a reduction of the cost of property, plant and equipment.

## 6. Capital lease

The Company carries communication equipment under capital lease at gross cost of $126,793 (2012 - $126,793) less accumulated amortization of $6,022 (2012 - $2,007). Monthly lease payments are $2,500, discounted at 4.41% and expire December 31, 2016. At the end of the lease there is a $10 administrative fee to purchase the asset.

Future minimum annual lease payments payable under the capital lease is as follows:

| | |
|---|---|
| 2014 | $ 25,310 |
| 2015 | 24,220 |
| 2016 | 29,867 |

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

## 7. Note payable to the Town of Wasaga Beach

There are no fixed terms of principal repayment. Interest is determined on the principal amount outstanding on the 30th day following December 31st of each year in which principal is owing. The Company is allowed to pay the interest before December 31st if the principal balance is not expected to change. The interest rate payable in the year was the OEB prescribed debt rate of 4.41% (2012 - 4.46%). The Town has signed a memorandum declaring the note will not be called for payment during the 2014 fiscal year.

## 8. Related parties

The common shares of Wasaga Resource Services Inc., Wasaga Genco Inc. and Wasaga Distribution Inc. are owned by Geosands Inc. which is owned by the Town of Wasaga Beach.

Related party transactions consist of the following:

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Amounts receivable from Wasaga Resource Services Inc. | **1,593** | - |
| Amounts payable to Wasaga Resource Services Inc. | **375,215** | 375,549 |
| Amounts receivable from the Town of Wasaga Beach | **104,343** | 86,879 |
| Amounts payable to the Town of Wasaga Beach | **28,885** | 33,678 |
| Due (to) from Wasaga Resource Services Inc. | **-** | 3,316,355 |
| The Company is leasing the administration centre to Wasaga Resource Services Inc. The following amount was recognized in rental revenue. | **152,130** | 144,162 |
| Included in other operating revenue is the following amount of interest revenue received from Wasaga Resources Service Inc. | **-** | 68,980 |
| Included in property, plant and equipment additions are the following purchases from Wasaga Resources Services Inc. | **618,131** | 680,876 |
| The Company is leasing land to the Town of Wasaga Beach for their fire hall. The following amount was recognized in rental revenue. | **23,604** | 23,232 |
| Property taxes included on the income statement are paid to the Town of Wasaga Beach | **26,361** | 24,670 |
| Included in interest expense is the following amount paid to the Town of Wasaga Beach. | **148,043** | 158,463 |

In 2001 a master services agreement (MSA) was struck for Wasaga Resource Services Inc. to provide administrative services to the Company. In 2012, the MSA was amended to adjust the base consideration to $2,574,254, based on the controllable costs of the Company as determined by the 2012 Cost of Service Application. The base consideration can be adjusted annually up to 80% of the change in customer count as well as an increase for inflation in accordance with the Consumer Price Index. Also included is a relief clause stating that if Wasaga Resource Services Inc. realizes substantially greater costs in providing any new services to the Company, compensation can be renegotiated and it would be considered reasonable to recover 90% of the costs incurred by the Company. In 2013 $2,155,877 ( 2012 - $1,998,079) was paid to Wasaga Resources Inc. for administrative services under the MSA. These expenses are included in distribution expenses - operation, distribution expenses - maintenance, billing and collection and administration and general expenses.

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

**8. Related parties (continued)**

In 2009, a lease agreement was entered into with Wasaga Resource Services Inc. for the use of the administration building. The lease was renegotiated on January 1, 2013 for a period of four years, expiring December 31, 2016. Annual payments will total $152,130.

In 2011, a lease agreement was entered into with the Town of Wasaga Beach effective January 1, 2012 for the construction of a fire hall on a portion of the land owned by the Company. Rent was charged at $23,232 for 2012 and will increase by the same percentage as the Consumer Price Index for the first ten years. On the eleventh year of the lease the rent will be revaluated based on fair market value. The term of the lease is forty years with two renewal options of twenty years each.

All related party transactions are measured using exchange value.

**9. Regulatory assets (liabilities)**

Regulatory assets (liabilities) consist of the following:

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| **Regulatory assets** | | |
| Other regulatory assets | **8,023** | 369,597 |
| Stranded meter | **-** | 314,390 |
| Total regulatory assets | **8,023** | 683,987 |
| **Regulatory liabilities** | | |
| Purchased power cost variance | **(489,908)** | (476,719) |
| Variances to be recovered | **(1,230,374)** | (2,851,880) |
| Stranded meter | **(6,815)** | - |
| Total regulatory liabilities | **(1,727,097)** | (3,328,599) |
| Net liability | **(1,719,074)** | (2,644,612) |

The current balance in other regulatory assets consists of deferred PILS and HST Input tax credits, which were recovered through a reduction of customer's monthly billings effective December 1, 2012 until November 30, 2013. The remaining balance will be recovered when approved by the OEB at the time of the next Cost of Service application.

In 2012 stranded meter costs were approved for recovery through a $1.86 charge per residential customer per month from December 1, 2012 until November 30, 2013. The costs were fully recovered and the ending liability balance will be repaid when approved by the OEB at the time of the next Cost of Service application.

**9. Regulatory assets (liabilities) (continued)**

The purchased power cost variance represents variances in the purchase and sale of electricity which will be recovered from or returned to customers by increases or decreases to rates in the future. The current balance relates to power cost variances occurring in 2012 and 2013. Purchased power cost variance includes annual carrying charges accrued at the OEB quarterly interest rate in effect.

In 2010 the OEB approved the disposition of power variances up to December 31, 2008. The liability was being paid back through a reduction of customer's monthly billings over a period of three years, beginning in May 2010. The Company removed the rate rider in April 2013. The remaining liability is included in variances to be recovered in the schedule above and will be repaid when approved by the OEB at the time of the next Cost of Service application.

In 2011 the OEB approved the disposition of power variances from capital demand management programs. The liability is being paid back through a reduction of customer's monthly billings over a period of three years, beginning in May 2011. The liability is included in variances to be recovered in the schedule above.

In 2012 the OEB approved the disposition of power variances from the cost and sale of power up to December 31, 2011. The liability is being paid back through a reduction of customer's monthly billings, beginning on December 1, 2012 and ending April 30, 2015. The liability is included in variances to be recovered in the schedule above.

In 2012 the OEB approved the disposition of other regulatory assets relating to prior period regulatory costs, costs for transition to IFRS and pension costs from OMERS, which were not previously recovered. The asset is being recovered through customer's monthly billings, beginning on December 1, 2012 and ending April 30, 2015. The liability is included in variances to be recovered in the schedule above.

**10. Capital disclosures**

The Company's main objectives when managing capital are to ensure ongoing access to funding to maintain and improve its electricity distribution system and ensure that the capital structure is such that the debt to equity structure required by the OEB is not exceeded.

As at December 31, 2013, the Company's definition of capital includes shareholder's equity. The Company's capital structure as at December 31, 2013 is 46% debt and 54% equity (2012 - 48% debt and 52% equity). There have been no changes in the Company's approach to capital management during the year.

**11. Supplemental cash flow information**

Cash payments and receipts were as follows:

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Interest paid | **148,043** | 158,463 |
| Interest received | **62,063** | 68,980 |
| Tax and installments paid | **113,400** | 140,323 |
| Tax refunds | **133,089** | 181,203 |

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

## 12. Contingent liabilities

The Company is contingently liable for a letter of credit in the amount of $694,824 (2012 - $694,824) to meet the prudential requirements of the Independent Electricity System Operator.

## 13. Commitments

The Company is a member of Cornerstone Hydro Electric Concepts (CHEC). The Company may terminate its membership at any time giving 60 days notice of termination and by making a pre-payment in full of the balance of its remaining contract service costs. As at December 31, 2013 the obligation to CHEC includes 2014 membership dues of $45,000.

## 14. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

## 15. Future accounting pronouncements

The Accounting Standards Board decided that rate regulated publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for annual reporting purposes for fiscal years beginning on or after January 1, 2015. The transition period will occur fiscal years beginning on or after January 1, 2014.

Phase 1 of the Company's IFRS implementation was complete as of March 2010. Phase 1 identified the Company's needs with regard to the new standards and set out recommendations to meet those needs. Phase 2 was was completed during 2012, which included reclassifying property, plant and equipment to comply with IFRS. The third phase will occur during 2014 and will include obtaining the required information to compile note disclosures and 2014 comparative figures in accordance with IFRS.

IFRS 14 - Regulatory deferral accounts was issued in March 2014 and is effective for fiscal years beginning on or after January 1, 2016, with early adoption permitted. The Company intends to adopt IFRS 14 upon conversion to IFRS for the fiscal year beginning January 1, 2015. The standard allows the Company to continue to use regulatory accounts previously recognized under GAAP for rate regulated entities. As a result, the conversion to IFRS is expected to have minimal impact on the regulatory account balances.

## Attachment D – WDI 2014 Financial Statement

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# WASAGA DISTRIBUTION INC.

**FINANCIAL STATEMENTS**
**DECEMBER 31, 2014**

**CONTENTS**

# COLLINS BARROW SGB LLP
**CHARTERED PROFESSIONAL ACCOUNTANTS**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Wasaga Distribution Inc.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Wasaga Distribution Inc., which comprise the balance sheet as at December 31, 2014, and the income and retained income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wasaga Distribution Inc. as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally acceptable accounting principles.

*Collins Barrow SGB LLP*

Licensed Public Accountants
Collingwood, Ontario
April 27, 2015

# WASAGA DISTRIBUTION INC.

## BALANCE SHEET
## AS AT DECEMBER 31

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Current | | |
| Cash and equivalents (Note 3) | **2,317,483** | 3,805,438 |
| Accounts receivable (Note 8) | **2,000,295** | 1,674,678 |
| Unbilled revenue | **1,626,113** | 1,696,018 |
| Prepaid expenses | **49,723** | 121,217 |
| Taxes recoverable | **-** | 128,258 |
| | **5,993,614** | 7,425,609 |
| Property, plant and equipment | | |
| Land | **736,285** | 645,041 |
| Buildings | **1,490,650** | 1,486,024 |
| Distribution stations | **3,380,805** | 3,329,020 |
| Distribution lines - overhead | **8,036,541** | 7,534,984 |
| Distribution lines - underground | **6,265,457** | 5,758,895 |
| Distribution transformers | **4,857,030** | 4,536,609 |
| Distribution services | **6,566,131** | 6,222,224 |
| Equipment under capital lease (Note 6) | **126,793** | 126,793 |
| Construction in progress | **31,271** | - |
| Contributions in aid of construction (Note 5) | **(7,030,589)** | (6,352,712) |
| | **24,460,374** | 23,286,878 |
| Accumulated amortization | **(12,582,773)** | (12,040,665) |
| | **11,877,601** | 11,246,213 |
| Other | | |
| Long-term investments (Note 4) | **9,150** | 9,150 |
| Intangible assets - computer software, net of accumulated amortization of $46,508 (2013 - $32,728) | **93,867** | 107,647 |
| Future taxes recoverable | **158,547** | 143,879 |
| | **261,564** | 260,676 |
| | **18,132,779** | 18,932,498 |

Approved on behalf of the Board:

_____

_____

See accompanying notes to the financial statements

# WASAGA DISTRIBUTION INC.

## BALANCE SHEET
## AS AT DECEMBER 31

| | 2014 | 2013 |
|---|---|---|
| | **$** | $ |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accruals (Notes 5 and 8) | **3,323,970** | 3,050,096 |
| Customer deposits | **27,604** | 35,731 |
| Taxes payable | **6,655** | - |
| Current portion of equipment under capital lease (Note 6) | **26,449** | 25,310 |
| | **3,384,678** | 3,111,137 |
| Long-term | | |
| Due to developers (Note 5) | **229,112** | 217,991 |
| Customer deposits | **114,370** | 92,177 |
| Equipment under capital lease (Note 6) | **27,638** | 54,087 |
| Note payable to the Town of Wasaga Beach (Note 7) | **3,593,269** | 3,593,269 |
| Regulatory (Note 9) | **379,036** | 1,719,074 |
| | **4,343,425** | 5,676,598 |
| Total liabilities | **7,728,103** | 8,787,735 |
| **Shareholder's equity** | | |
| Capital stock | | |
| Authorized | | |
| Unlimited common shares | | |
| Issued | | |
| 100 common shares | **100** | 100 |
| Retained income | **5,229,108** | 4,969,195 |
| Miscellaneous paid-in capital | **5,175,468** | 5,175,468 |
| Total shareholder's equity | **10,404,676** | 10,144,763 |
| | **18,132,779** | 18,932,498 |

See accompanying notes to the financial statements

# WASAGA DISTRIBUTION INC.

## INCOME AND RETAINED INCOME STATEMENT
## FOR THE YEAR ENDED DECEMBER 31

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Revenue | | |
| Sale of power | **14,506,669** | 13,040,219 |
| Distribution services | **3,613,858** | 3,233,773 |
| | **18,120,527** | 16,273,992 |
| Cost of power | **14,506,669** | 13,040,219 |
| Distribution income (19.9%; 2013- 19.9%) | **3,613,858** | 3,233,773 |
| Other operating revenue | | |
| Rental (Note 8) | **304,539** | 308,202 |
| Other | **179,791** | 205,867 |
| | **4,098,188** | 3,747,842 |
| Operating and maintenance expense | | |
| Administration and general (Note 8) | **1,087,760** | 1,053,973 |
| Amortization | **597,388** | 565,048 |
| Billing and collecting (Note 8) | **941,897** | 861,285 |
| Community relations | **7,473** | 4,804 |
| Distribution expenses - maintenance (Note 8) | **720,468** | 708,239 |
| Distribution expenses - operational (Note 8) | **56,210** | 68,206 |
| Interest (Notes 7, 8 and 9) | **165,331** | 185,957 |
| Other | **4,762** | 4,762 |
| Property taxes (Note 8) | **27,199** | 26,361 |
| | **3,608,488** | 3,478,635 |
| Net income before taxes | **489,700** | 269,207 |
| Provision for (recovery of) taxes | | |
| Current | **44,455** | (14,858) |
| Future | **(14,668)** | (9,175) |
| | **29,787** | (24,033) |
| **Net income for the year** | **459,913** | 293,240 |
| Retained income, beginning of year | **4,969,195** | 5,075,955 |
| Dividends | **(200,000)** | (400,000) |
| **Retained income, end of year** | **5,229,108** | 4,969,195 |

See accompanying notes to the financial statements

# WASAGA DISTRIBUTION INC.

## CASH FLOW STATEMENT
## FOR THE YEAR ENDED DECEMBER 31

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Cash flows from (for):** | | |
| **Operating activities** | | |
| Net income for the year | **459,913** | 293,240 |
| Items not involving cash | | |
| Amortization | **597,388** | 565,048 |
| Unbilled revenue | **69,905** | (449,146) |
| Future taxes recoverable | **(14,668)** | (9,175) |
| (Gain) loss on disposal of property, plant and equipment | **(2,321)** | 1,556 |
| Decrease in present value of equipment under capital lease | **2,890** | 1,751 |
| | **1,113,107** | 403,274 |
| Changes in | | |
| Accounts receivable | **(325,617)** | (17,303) |
| Prepaid expenses | **71,494** | (18,412) |
| Taxes payable/recoverable | **134,913** | 4,831 |
| Accounts payable and accruals | **273,874** | 306,622 |
| Customer deposits | **14,066** | (5,811) |
| Due to developers | **11,121** | 11,550 |
| | **1,292,958** | 684,751 |
| **Financing activities** | | |
| Due from Wasaga Resource Services Inc. | **-** | 3,316,355 |
| Repayment of capital lease liability | **(28,200)** | (28,200) |
| Dividends paid | **(200,000)** | (400,000) |
| Regulatory liabilities | **(1,340,038)** | (925,538) |
| | **(1,568,238)** | 1,962,617 |
| **Investing activities** | | |
| Acquisition of property, plant and equipment | **(1,220,675)** | (868,355) |
| Proceeds on disposal of property, plant and equipment | **8,000** | - |
| | **(1,212,675)** | (868,355) |
| **Change in cash** | **(1,487,955)** | 1,779,013 |
| Cash position, beginning of year | **3,805,438** | 2,026,425 |
| **Cash position, end of year** | **2,317,483** | 3,805,438 |

See accompanying notes to the financial statements

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2014**

## 1. Significant accounting policies

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements:

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") including accounting directives prescribed by its regulator, the Ontario Energy Board (OEB) through the accounting procedures handbook and other guidance.

In its capacity to approve or set rates, the OEB has the authority to specify regulatory treatments that may result in treatments that differ from GAAP for non-rate regulated entities. Due to the regulatory framework, the timing and recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from then otherwise expected under GAAP for non-rate regulated entities.

(b) Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The most significant estimates are the allowance for doubtful accounts included in accounts receivable, useful lives of capital assets included in property, plant and equipment and economic evaluations included in accounts payable and accruals and due to developers. Actual results could differ from those estimates.

(c) Regulation

The Company's distribution of electricity is subject to rate regulation by the OEB. This rate regulation results in the Company accounting for specific transactions differently than it would if it was not rate-regulated. The differences in accounting treatment give rise to regulatory assets or liabilities. These balances will be recovered from or returned to customers by increases or decreases to rates in the future. Details of the regulatory assets and liabilities that would otherwise be recognized as revenue or expenses are included in Note 9.

The electricity rates charged by the Company are approved on an annual basis using performance-based regulation. In 2014 the Company was authorized to earn 8.98% on equity and 4.12% on debt with a deemed capital structure of 60% debt to 40% equity. The most recent cost of service application was approved by OEB order on November 29, 2012, at which time the Company was authorized to earn 9.12% on equity and 4.41% on debt with a deemed capital structure of 60% debt to 40% equity.

(d) Taxes

Taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future tax liabilities or assets. Future tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2014**

**1. Significant accounting policies (continued)**

(e) Cash and equivalents

Cash is defined as cash on hand, cash on deposit and term deposits with maturity dates of less than 90 days, net of outstanding deposits and cheques issued and outstanding at the reporting date.

(f) Revenue recognition

The Company recognizes revenue on an accrual basis. This includes unbilled revenue, which is an estimate of electricity consumed by customers to the end of year but not yet billed by the Company.

Sale of power represents the amount of electricity sales to customers.

Distribution services revenue is the amount of return the Company is authorized to earn for electrical distribution services, as approved by the OEB.

Other income includes charges for late payments, disconnects, reconnects, occupancy and collection, which are billed when services are rendered. Also included in other income are gains and losses recognized on disposal of property, plant and equipment and interest income recorded as earned.

(g) Long-term investments

The Company records its long-term investments using the cost method as the shares are not quoted in an active market.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Property, plant and equipment are amortized over their estimated useful lives, using the straight-line method. Contributions received in aid of construction of property, plant and equipment are capitalized and amortized at the same rate as the related asset. Amortization rates are as follows:

| | |
|---|---|
| Buildings | 2% |
| Distribution stations | 2% to 5% |
| Distribution equipment | 2% to 10% |
| Equipment under capital lease | 2% to 5% |

Construction in progress includes assets not yet in use at year end and is not amortized.

(i) Intangible assets

Intangible assets are externally acquired and are stated at cost. Amortization is provided on a straight-line basis over their estimated useful service lives at the following annual rates:

| | |
|---|---|
| Computer software | 20% |

(j) Economic evaluations

Economic evaluations are an estimate of amounts due to subdivision developers in the future as repayment for the developers' installation of hydro infrastructure. The liabilities are included in accounts payable and accruals and due to developers.

**NOTES TO THE FINANCIAL STATEMENTS**
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## 2. Tax status

The Company is exempt from income taxes under section 149 of the Income Tax Act. The Company is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned.

## 3. Financial instruments

The Company's financial instruments consist of cash and equivalents, accounts receivable, unbilled revenue, taxes recoverable, long-term investments, accounts payable, customer deposits and long-term liabilities. It is management's opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments. Fair value does not vary significantly from recorded value.

At the end of 2014 the Company had $NIL (2013 - $2,500,000) of term deposits, which are included in cash and equivalents.

## 4. Long-term investments

| | **2014** | 2013 |
|---|---|---|
| | **$** | **$** |
| Utility Collaborative Services Inc., recorded at cost | **100** | 100 |
| Utilismart Corporation, recorded at cost | **9,050** | 9,050 |
| | **9,150** | 9,150 |

## 5. Contributions in aid of construction

Under the terms of the Distribution System Code, the Company cannot charge a developer more than the difference between the present value of the projected capital costs and ongoing maintenance costs for the equipment and the present value of the projected revenue for distribution services provided by those facilities. These amounts are determined by an economic evaluation study of the project. The Company estimates that it will return $282,024 (2013 - $281,318) of the amounts collected. The liability is included in accounts payable and accruals and due to developers. The balance of $7,030,589 (2013 - $6,352,712) is recorded as a reduction of the cost of property, plant and equipment.

## 6. Capital lease

The Company carries communication equipment under capital lease at gross cost of $126,793 (2013 - $126,793) less accumulated amortization of $10,036 (2013 - $6,022). Monthly lease payments are $2,500, discounted at 4.41% and expire December 31, 2016. At the end of the lease there is a $10 administrative fee to purchase the asset.

Future minimum annual lease payments payable under the capital lease is as follows:

| | |
|---|---|
| 2015 | $ 28,200 |
| 2016 | 28,200 |

**NOTES TO THE FINANCIAL STATEMENTS**
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## 7. Note payable to the Town of Wasaga Beach

There are no fixed terms of principal repayment. Interest is determined on the principal amount outstanding on the 30th day following December 31st of each year in which principal is owing. The Company is allowed to pay the interest before December 31st if the principal balance is not expected to change. The interest rate payable in the year was at the agreed upon debt rate of 4.41% (2013 - 4.41%). The Town has signed a memorandum declaring the note will not be called for payment during the 2015 fiscal year.

## 8. Related parties

The common shares of Wasaga Resource Services Inc., Wasaga Genco Inc. and Wasaga Distribution Inc. are owned by Geosands Inc. which is owned by the Town of Wasaga Beach.

Related party transactions consist of the following:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Amounts receivable from Wasaga Resource Services Inc. | **3,096** | 1,593 |
| Amounts payable to Wasaga Resource Services Inc. | **985,611** | 375,215 |
| Amounts receivable from the Town of Wasaga Beach | **259,246** | 104,343 |
| Amounts payable to the Town of Wasaga Beach | **-** | 28,885 |
| The Company is leasing the administration centre to Wasaga Resource Services Inc. The following amount was recognized in rental revenue. | **156,930** | 152,130 |
| Included in property, plant and equipment additions are the following purchases from Wasaga Resources Services Inc. | **877,465** | 618,131 |
| The Company is leasing land to the Town of Wasaga Beach for their fire hall. The following amount was recognized in rental revenue. | **23,625** | 23,604 |
| Property taxes included on the income statement are paid to the Town of Wasaga Beach | **27,199** | 26,361 |
| Included in interest expense is the following amount paid to the Town of Wasaga Beach. | **148,043** | 148,043 |

In 2001 a master services agreement (MSA) was struck for Wasaga Resource Services Inc. to provide administrative services to the Company. In 2012, the MSA was amended to adjust the base consideration to $2,574,254, based on the controllable costs of the Company as determined by the 2012 Cost of Service Application and subsequently reduced due to Wasaga Distribution incurring costs directly, that would otherwise be performed by Wasaga Resources Inc. under the service agreement. The base consideration can be adjusted annually up to 80% of the change in customer count as well as an increase for inflation in accordance with the Consumer Price Index. Also included is a relief clause stating that if Wasaga Resource Services Inc. realizes substantially greater costs in providing any new services to the Company, compensation can be renegotiated and it would be considered reasonable to recover 90% of the costs incurred by the Company. In 2014 $2,244,181 (2013 - $2,155,877) was paid to Wasaga Resources Inc. for administrative services under the MSA. These expenses are included in distribution expenses - operational, distribution expenses - maintenance, billing and collecting and administration and general expenses.

**NOTES TO THE FINANCIAL STATEMENTS**
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**8. Related parties (continued)**

In 2009, a lease agreement was entered into with Wasaga Resource Services Inc. for the use of the administration building. The lease was renegotiated on January 1, 2013 for a period of four years, expiring December 31, 2016. Annual payments will total $152,130.

In 2011, a lease agreement was entered into with the Town of Wasaga Beach effective January 1, 2012 for the construction of a fire hall on a portion of the land owned by the Company. Rent was charged at $23,232 for the first year and will increase by the same percentage as the Consumer Price Index for the first ten years. On the eleventh year of the lease the rent will be revaluated based on fair market value. The term of the lease is forty years with two renewal options of twenty years each.

All related party transactions are measured using exchange value.

**9. Regulatory assets (liabilities)**

Regulatory assets (liabilities) consist of the following:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Regulatory assets** | | |
| Other regulatory assets | **5,846** | 8,023 |
| Purchase power cost variance | **312,174** | - |
| Total regulatory assets | **318,020** | 8,023 |
| **Regulatory liabilities** | | |
| Purchased power cost variance | **-** | (489,743) |
| Variances to be recovered | **(689,952)** | (1,230,374) |
| Stranded meters | **(7,104)** | (6,980) |
| Total regulatory liabilities | **(697,056)** | (1,727,097) |
| Net liability | **(379,036)** | (1,719,074) |

In 2012 stranded meter costs were approved for recovery through a $1.86 charge per residential customer per month from December 1, 2012 until November 30, 2013. The costs were fully recovered and the ending liability balance will be repaid when approved by the OEB at the time of the next Cost of Service application.

**9. Regulatory assets (liabilities) (continued)**

The purchased power cost variance represents variances in the purchase and sale of electricity which will be recovered from or returned to customers by increases or decreases to rates in the future. The curren years, beginning in May 2011. The liability is included in variances to be recovered in the schedule above.t balance relates to power cost variances occurring in 2012, 2013 and 2014. Purchased power cost variance includes annual carrying charges accrued at the OEB quarterly interest rate in effect.

In 2010 the OEB approved the disposition of power variances up to December 31, 2008. The liability was being paid back through a reduction of customers' monthly billings over a period of three years, beginning in May 2010. The Company removed the rate rider in April 2013. The remaining liability is included in variances to be recovered in the schedule above and will be repaid when approved by the OEB at the time of the next Cost of Service application.

In 2011 the OEB approved the disposition of power variances from capital demand management programs. The liability is being paid back through a reduction of customers' monthly billings over a period of three years, beginning in May 2011. The Company removed the rate rider in April 2014. The remaining liability is included in variances to be recovered in the schedule above and will be repaid when approved by the OEB at the time of the next Cost of Service application.

In 2012 the OEB approved the disposition of power variances from the cost and sale of power up to December 31, 2011. The liability is being paid back through a reduction of customers' monthly billings, beginning on December 1, 2012 and ending April 30, 2015. The liability is included in variances to be recovered in the schedule above.

In 2012 the OEB approved the disposition of other regulatory assets relating to prior period regulatory costs, costs for transition to IFRS and pension costs from OMERS, which were not previously recovered. The asset is being recovered through customers' monthly billings, beginning on December 1, 2012 and ending April 30, 2015. The liability is included in variances to be recovered in the schedule above.

In 2014 the OEB approved the disposition of power variances from the cost and sale of power up to December 31, 2012. The liability is being paid back through a reduction of customers' monthly billings, beginning on May 1, 2014 and ending April 30, 2016. The liability is included in variances to be recovered in the schedule above.

In 2014 the OEB approved the disposition of global adjustment up to December 31, 2012. The asset is being recovered through an increase of customers' monthly billings, beginning on May 1, 2014 and ending April 30, 2016. The asset is included in variances to be recovered in the schedule above.

**10. Capital disclosures**

The Company's main objectives when managing capital are to ensure ongoing access to funding to maintain and improve its electricity distribution system and ensure that the capital structure is such that the debt to equity structure required by the OEB is not exceeded.

As at December 31, 2014, the Company's definition of capital includes shareholder's equity. The Company's capital structure as at December 31, 2014 is 43% debt and 57% equity (2013 - 46% debt and 54% equity). There have been no changes in the Company's approach to capital management during the year.

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## 11. Supplemental cash flow information

Cash payments and receipts were as follows:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Interest paid | **148,043** | 148,043 |
| Interest received | **34,360** | 62,063 |
| Tax and installments paid | **37,800** | 113,400 |
| Tax refunds | **14,858** | 133,089 |

## 12. Contingent liabilities

The Company is contingently liable for a letter of credit in the amount of $785,604 (2013 - $694,824) to meet the prudential requirements of the Independent Electricity System Operator.

## 13. Commitments

The Company is a member of Cornerstone Hydro Electric Concepts (CHEC). The Company may terminate its membership at any time giving 60 days notice of termination and by making a pre-payment in full of the balance of its remaining contract service costs. As at December 31, 2014 the obligation to CHEC includes 2015 membership dues of $45,000.

The company has the right to redeem its shares in UCS by retraction upon the following terms:

a) notice of such retraction shall be given 120 days prior to the effective date and;

b) a retraction fee shall be paid equal to the previous three years worth of the average purchases from UCS for services or products; or in alternative to paying such fees, the corporation may elect in writing to provide three year's written notice of the retraction, provided that the corporation continues to receive services at the same or greater average volume as those received at the time the notice was given. As at December 31, 2014 the obligation to UCS includes 2015 to 2017 fees of approximately $80,000 per year, $240,000 total.

## 14. Future accounting pronouncements

The Accounting Standards Board decided that rate regulated publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for annual reporting purposes for fiscal years beginning on or after January 1, 2015. The transition period will occur fiscal years beginning on or after January 1, 2014.

Phase 1 of the Company's IFRS implementation was complete as of March 2010. Phase 1 identified the Company's needs with regard to the new standards and set out recommendations to meet those needs. Phase 2 was was completed during 2012, which included reclassifying property, plant and equipment to comply with IFRS. The third phase occured during 2014 and included obtaining the required information to compile note disclosures and 2014 comparative figures in accordance with IFRS.

The Company will transition to IFRS on January 1, 2015 applying IFRS 1 for First Time Adoption and early adopting the IFRS 14 interim standard.

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**14. Future accounting pronouncements (continued)**

IFRS 14 - Regulatory deferral accounts was issued in March 2014 and is effective for fiscal years beginning on or after January 1, 2016, with early adoption permitted. The Company intends to adopt IFRS 14 upon conversion to IFRS for the fiscal year beginning January 1, 2015. The standard allows the Company to continue to use regulatory accounts previously recognized under GAAP for rate regulated entities. As a result, the conversion to IFRS is expected to have minimal impact on the regulatory account balances.

**15. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.