



2018 Business Plan and Budget Erie Thames Powerlines

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1. Strategic Objective

In keeping with ERTH Corporations' objectives, Erie Thames Powerlines Corporation ("ETPL") will adhere to the following strategic objectives when pursuing new business opportunities and/or interacting with our stakeholders in 2018. The strategic objectives are as follows:

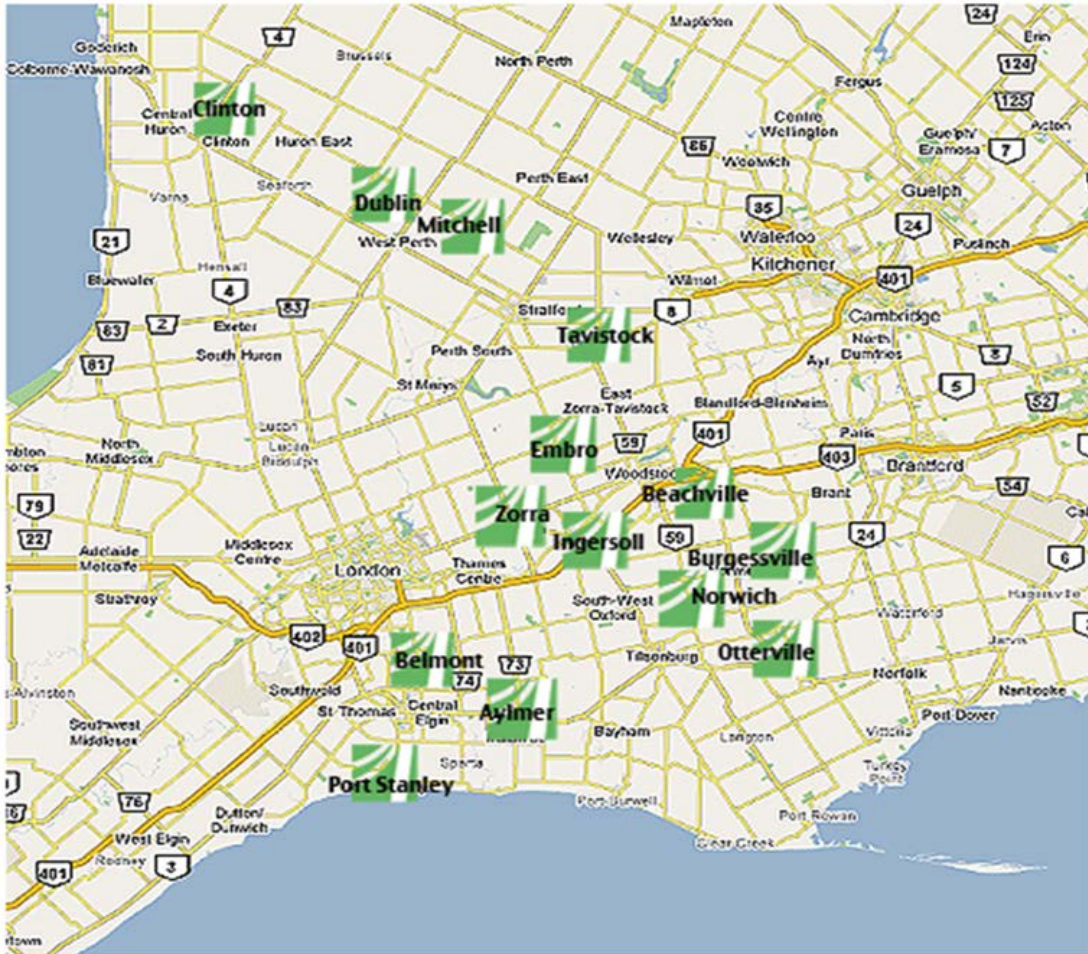
- ✓ Grow LDC and Manage ongoing attrition
- ✓ Sustainability
- ✓ Utility 2.0 Advancement
- ✓ Improve Consolidated Financial Performance/Reporting – "ONE TEAM", mind the store
- ✓ Employer of Choice
- ✓ Good Corporate Citizen
- ✓ Foster positive Shareholder Relations / Communications
- ✓ Advocate for positive energy policy

Products and Services

ETPL is a Local Distribution Company currently servicing 18,500 customers in 14 communities across 4 counties, "Your Home Town Utility". Our service territory stretches over 200 km as the crow flies from Port Stanley to the South on the shores of Lake Erie to our furthest north community Clinton, on highway 8. Serving the communities of Port Stanley, Aylmer, Belmont, Ingersoll, Thamesford, Embro, Tavistock, Beachville, Norwich, Otterville, Burgessville, Mitchell, Dublin and Clinton, we work hard to serve our customers efficiently. In these communities, ETPL's diverse customer base ranges from individual residential customers to large commercial and industrial users, including the General Motors CAMI Automotive Assembly plant located in Ingersoll.

ETPL is dedicated to providing its customers with safe and reliable electricity while keeping energy efficiency top of mind. Always looking to provide added benefit and value through innovation and technology; constantly seeking ways we can improve our services to meet our customer's needs today and into the future.

Map Representing ETPL's current service territory:



As “Your Home Town Utility” our mission is to be a community partner committed to delivering safe and reliable electricity while providing innovative and high-quality services and solutions to our customers.

Targeted Growth Strategy

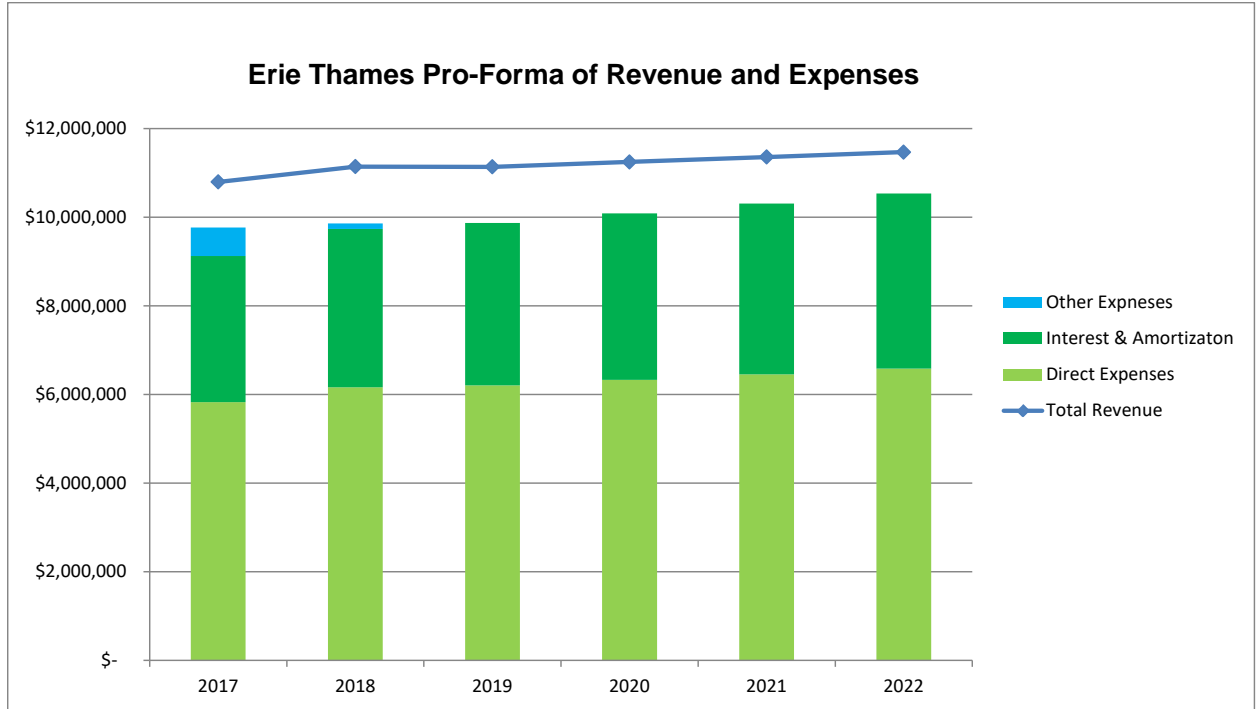
Mergers & Strategic Partnerships	Aquisition	Service Area Ammendments	Organic Growth
<ul style="list-style-type: none"> •Goderich Hydro (WCHE) •Like Minded LDCs that will bring vluue to our customers & shareholders •Partnership models that will strengthen the business and promote efficiencys 	<ul style="list-style-type: none"> •Elimination of long term load transfer customers •Aquire Hydro One assets closing the gap on a seamless distribution system within our region 	<ul style="list-style-type: none"> •Expand franchise boundaries through service area ammendments as municipal growth occurs 	<ul style="list-style-type: none"> •Foster economic growth within our communities through competitive rates & value added services •Renewable Generation •Expansion of Scope for LDC •Be the "Home Town Utility"

Erie Thames Powerlines is committed to pursuing growth opportunities in its electricity distribution businesses on a prudent and profitable basis, where it enhances the entity's strategic position, economies of scope and scale exist, and it adds value to our customers and shareholders alike. ETPL continues to have a long term view for future growth, including the goal of partnering with or acquiring neighbouring LDCs and Hydro One assets where it makes good business sense.



Financial Summary

The financial performance of ETPL is promising for 2017 and beyond. Section 8 provides the detailed budget for 2018, however outlined below is an illustration of the financial outlook for the coming year and beyond. For 2017 and 2018 we are showing other costs due to the final years of IFRS Amortization transition. These costs are eliminated in 2019 the first full year of COS rates under IFRS. ETPL is happy to report continued success in earning our OEB approved ROI.



2. 2017 Highlights

2017 marked a successful and extremely busy year for ETPL. The team was heavily engaged with Goderich Hydro attending board meetings and ensuring support services were maintained in the highest regard. The excellent effort demonstrated by the team has led to a signed LOI and purchase and sale agreement for a merger of ETPL and Goderich Hydro (WCHE) to be executed in 2018.

- Zero lost time H&S incidents to report
 - Public Safety Survey 83.4%
 - Internal Safety Scorecard year-to-date tracking >80%
- Net Income tracking to be on budget despite incremental COS costs
- Capex tracking below budget
- ETPL has continued to foster and advance partnerships with neighboring LDCs
 - South Western Ontario buying group
 - Shared Services with Tillsonburg Hydro
 - Mutual Assistance with Hydro One
 - Hurricane Irma assistance in partnership with Entegrus, Blue Water, Essex & Erie Thames
- ETPL continues to track ahead of Industry standards on our OEB Scorecard results
- Staff facilitated the transition of 10 customers to Class A global adjustment which garnered almost \$500,000 in savings for ETPL customers on a monthly basis.
- ETPL filed its 2018 COS application and was selected by the OEB as a pilot LDC for the new streamlined adjudicative framework for ratemaking
 - 3 community outreach meetings by ETPL staff engaging customer in the COS process
- \$2 million spend on Fixed Distribution Assets - Maintain ongoing commitment to strengthen the distribution system
- Continue to maintain strong labour relations – employer of choice – zero arbitrations
- Continue to support professional development of staff – Josh Smith PEng designation received
- OMS System implementation - ongoing for 2017/2018
- Implemented Silver Blaze – customer tool to better manage energy usage (mobile friendly)
- Ingersoll automated switch Main-Tie-Main installation – complete and operational
- Aylmer Supply Improvements – addressing worst performing feeder
 - Worked with H1 to facilitate the new transformer station upgrade
 - Established 2nd supply feeder from the new Aylmer transformer station
 - Working to eliminate supply to Aylmer from the St Thomas Edgeware transmission station
- Norwich Supply Improvements – addressing worst performing feeder
 - ETPL has continued discussions with Hydro One regarding necessary supply upgrades to the Norwich area
 - Hydro One has confirmed they have assigned budget dollars to relocate the off-road supply to Highway 59 making necessary improvement to the 20M1 feeder to Norwich
 - Upgrades to the supply will provide redundancy and automation opportunities



Highlights of 2016 OEB Scorecard Results posted in 2017

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2016 Erie Thames Powerlines connected 99.6% of its 230 new residential and small businesses to the distribution system within the required 5 day window that has been determined by the Ontario Energy Board. This result is not materially different than previous years as Erie Thames continues its solid performance over the past five years with this measure. Given the relatively small number of new connections annually that are dealt with by Erie Thames staff it is expected that the current level of performance will be easily maintained until such a time that there is a significant increase in the number of new connections required.

- **Scheduled Appointments Met On Time**

Erie Thames Powerlines scheduled 268 appointments with its customers in 2016 to complete work requested by customers. Consistent with the prior year, the utility met 100% of these appointments on time. The number of appointments has increased significantly over 2015 results due to a change in the appointments tracked with respect to this measure.

- **Telephone Calls Answered On Time**

In 2016 Erie Thames Powerlines customer service staff received 30,125 calls and achieved a service level of 98.4% in answering those calls within 30 seconds, while only 1.6% of calls received were abandoned prior to customers speaking with an agent. Both of these results exceed the Ontario Energy Board's required level of service and are consistent with the performance of the call center in previous years. Erie Thames will look to continue with its excellent call center performance in 2016 and strive to reduce the number of abandoned calls experienced by our customers.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements were introduced by the Ontario Energy Board on July 1, 2015. The OEB plans to review the information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

For Erie Thames Powerlines, First Contact Resolution was measured based upon actual calls received from customers with respect to the same or similar issue and calculated this number as a percentage of all customer contacts received that resulted in the generation of an issue and for which a service order was created. The result was that 99.5% of customers' issues were dealt with on first contact, or 11 contacts of 2,402 issues were the second request for the same customer contact.

- **Billing Accuracy**

For the year 2016 Erie Thames Powerlines issued 225,777 bills and achieved a billing accuracy of 99.5%. This compares favourably to the prescribed OEB target of 98%. Erie Thames Powerlines continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

The Ontario Energy Board (OEB) introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. At this time the Ontario Energy Board is allowing electricity distributors to use their own discretion as to how they implement this measure.

Erie Thames undertook its first customer satisfaction survey in 2015 and determined that its customers were 89% satisfied with its performance on a variety of measures. Erie Thames Powerlines customers indicated that improvements can be made to better communicate planned outages, improvements can also be made with respect to billing with educating our customers with respect to options available to them for payments, delivery of bills and general understanding of bills, finally a few customers felt Erie Thames Powerlines website needed to be updated however it is not clear if they have visited the newly launched website that went live shortly before the survey.

Erie Thames also held three customer open house events to talk with customers about its DSP, and any general customer issues. As part of these events ETPL surveyed those in attendance to determine a satisfaction level. The result of this survey was overwhelming support to the direction of ETPL's DSP and resulted in excellent customer satisfaction.

Safety

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety measure in 2016. This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

- **Component A – Public Awareness of Electrical Safety**

In 2016 Erie Thames Powerlines completed its survey of its customers with respect to public awareness of Electrical Safety. Erie Thames utilized a third party agency to survey its customers and ensure that an accurate sampling of its population was achieved. The results of this survey found that 83.4% of Erie Thames customers have strong awareness of electrical safety. Erie Thames will continue to work within its communities to ensure that this metric continues to improve in the future.

ETPL provides its Electrical Safety Awareness school program that targets grade one to eight throughout the schools in its service territory on a rotating basis. This program works to instill awareness of electrical safety at an early age and is an effort to ensure that all residents within the province are aware and safe around electrical equipment.

- **Component B – Compliance with Ontario Regulation 22/04**

In 2015 and 2016, Erie Thames Powerlines was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

In 2013, Erie Thames Powerlines was given a score of Needs Improvement in compliance with Ontario Regulation 22/04 (Electrical Distribution Safety). This score was given due to an interpretation issue with respect to the ESA requirement to ground utilizing a metal guard. The ESA resolved with Erie Thames Powerlines that the grounding was not required with the specifications used by Erie Thames but the resolution was not obtained until after the 2013 results were published.

- **Component C – Serious Electrical Incident Index**

Erie Thames Powerlines has no reported serious incidents from 2010 to 2016. Erie Thames continues to be committed to safety in an effort to ensure this trend continues.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

Erie Thames Powerlines had a significant increase in 2016 of the number of hours that power to a customer is interrupted. While the number of outage hours is still on the low side of the former target range provided by the Ontario Energy Board, ETPL had two significant duration outages in the month of March due to an ice storm resulting major tree damage.

Erie Thames historic results fell within the new LDC specific requirement of 0.99 for SAIDI however there has been an increase over the past two years that needs to be managed to ensure the trending is not a systemic issue within ETPL's distribution system as opposed to significant one time anomalous events.

Erie Thames Powerlines continues to view reliability of electricity service as a high priority for its customers and as such conducts a vegetation management program that ensures the whole system is trimmed every three years. Similarly Erie Thames is dedicated to upgrading its assets to 27.6 kV in order to reduce its reliance on substations and thereby ensure that its reliability continue to be above average as aging stations are retired. This, combined with the Erie Thames Powerlines' senior management team's commitment to review the worst performing feeders on a quarterly basis in order to potentially improve reliability, will ensure customers continue to receive excellent reliability from Erie Thames' system.

- **Average Number of Times that Power to a Customer is Interrupted**

Erie Thames average number of times that power to a customer is interrupted has decreased slightly and remains at the low end of the former range of acceptable results set by the Ontario Energy Board. When compared to the new distributor specific target of 0.41 Erie Thames was below the target and therefore is performing exceptionally with respect to this metric.

Erie Thames staff is mindful of the aging assets that make up its distribution system and will continue to monitor its assets and outages to ensure that the capital spend is appropriate to ensure that the number of outages does not continue to escalate to a point that it becomes an issue.



Asset Management

- **Distribution System Plan Implementation Progress**

Erie Thames Powerlines has substantively completed its DSP and while it has not been filed with OEB as part of a COS filing it has become the guiding document for tracking our capital spend beginning in 2016. Erie Thames has detailed its 5 year spend and projects and has measured itself on an annual basis with respect to the actual spending level versus its plan. In 2016 Erie Thames spent approximately 104% of the dollars planned to be invested into its distribution system.

Erie Thames will continue to file percentage completion annually as part of its RRR scorecard.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2016, for the second year in a row, Erie Thames Powerlines was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered “average efficiency” – in other words, Erie Thames Powerlines costs are within the average cost range for distributors in the Province of Ontario. In 2016, 45% (33 distributors) of the Ontario distributors were ranked as “average efficiency”; 29% were ranked as “more efficient”; 26% were ranked as “least efficient. Although Erie Thames Powerlines forward looking goal is to advance to the “more efficient” group, management’s expectation is that efficiency performance will not decline.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Erie Thames Powerlines capital and operating costs and dividing this cost figure by the total number of customers that Erie Thames serves. The cost performance result for 2016 is \$676 /customer which is a 3.05% increase over 2015.

Erie Thames Powerlines Total Cost per Customer has increased by only 6.6% since 2010 despite the increase in 2016 over 2015. Similar to most distributors in the province, Erie Thames Powerlines has experienced increases in its total costs required to deliver quality and reliable services to customers. Province wide programs such as OESP, OFHP, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal and growth of the distribution system, have all contributed to increased operating and capital costs. Despite these changes Erie Thames has worked hard to keep its cost of operations relatively flat and in doing so has been able to change its efficiency rating from 4 to 3. Erie Thames Powerlines will continue to replace



distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that Erie Thames Powerlines operates to serve its customers. Erie Thames 2016 rate is \$36,550 per Km of line, a 6.4% increase over 2015. The Increase from 2015 to 2016 is due in part to a decrease in the reported kilometers of line from 352 kms in 2015 to 345 kms in 2016. This decrease in kilometers of line can be directly attributable to the implementation of GIS and a more accurate recording of its assets. If ETPL had not updated its reported kilometers of line to the reduced figures this increase would have been smaller and ETPL's cost per kilometer would have been reduced. Going forward ETPL is confident that its more accurate reporting of its infrastructure will ensure better more consistent reporting and allow ETPL to better assess its spending and its impact on this metric.

Conservation & Demand Management

- **Net Cumulative Energy Savings (Percent of target achieved)**

Erie Thames Powerlines is pleased that it is progressing well towards achieving its target of 27.63 GWH in the 2016-2020 CDM framework. While our results in 2016 are not exactly one years' worth of saving prorated on a linear basis it is important to note that Erie Thames is in fact ahead of the results it had expected to achieve in the first year as filed in its official plan with the IESO.

Erie Thames is confident that it has the programs in place and the targeted achievable potential to reach its lofty savings goal by the end of the framework.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Erie Thames Powerlines is pleased to report that it completed all of its connection impact assessments on time in 2016.

- **New Micro-embedded Generation Facilities Connected On Time**

In 2016, Erie Thames Powerlines connected 9 new micro-embedded generation facilities (microFIT projects of less than 10 kW) 100% of time within the prescribed time frame of five business days. The minimum acceptable performance level for this measure is 90% of the time. Erie Thames Powerlines works closely with its customers and their contractors to tackle any connection issues to ensure that its customers' projects are connected on time.



Financial Recap

Outlined in Section 7 is the 2017 forecast for Erie Thames Powerlines. A net income of \$1,087,237 before tax is anticipated. Among the key highlights are the following:

- While 2017 got off to a slow start for ETPL with respect to its financial results, ETPL is projected to come in slightly ahead of its budgeted net income.
- During the first six months of 2017 ETPL lagged with respect to distribution revenue due to a relatively warm first quarter and the relatively cool start to summer with very little air conditioning load materializing until the end of June, coupled with a slow start to capital spend in the first quarter that resulted in more labour costs being expensed.
- ETPL made still lagged behind on revenue through three quarters by approximately \$157,000 however \$100,000 of this shortfall was made up through from recouping ETPL staff costs from the Hurricane relief efforts. ETPL is recovering direct costs incurred to provide its assistance in its projections. Any incremental revenues and profits will be realized globally in EARTH Corporations final 2017 results..
- ETPL is projecting the fourth quarter of 2017 to finish off with revenue coming in slightly more than budgeted due to the Hurricane revenues and operating costs to materialize slightly less than budgeted (inclusive of interest and amortization) due to minimizing costs for the rate application and the new COS process requiring less external resources in 2017.
- The result of all of ETPL's efforts for the year is a final projected net income for 2017 of \$1,021,697 with controllable costs of \$5,890,744 against revenues of \$10,795,770.

3. SWOT Analysis

Strengths

- Geographically well positioned as a Regional Utility
- Strong resourcing complement with solid industry experience & local area knowledge
- Well positioned for next generation Utility 2.0
- New hires – highly skilled & tech savvy – skill set growing
- Technology - Leadership
- Ability to leverage affiliate company's experiences
- Relationships - Customers/Municipalities/LDCs/PWU
- “Home Town Utility” – responsive to customer needs
- Conestoga PLT program located in Ingersoll

Weaknesses

- Management retirements over the next 2 - 4 years
 - Line Supervision replacement candidates
 - Aging workforce
 - Large Geographic Territory
- Multi Centre Utility to cover non-contiguous service territory
- SAIDI Results with Hydro One Loss of Supply
- Metering / Field services
- Space – parking & building

Opportunities

- Goderich Efficiencies and staff redeployment
- Retirements – leverage retirements to bring in skill sets required for Utility 2.0
- Renewable Generation
- Global Adjustment Expansion (tool to assist customers)
- Expansion of LDC Services & shared services with LDC partners:
- Service Area Expansions
 - Recent success with Sifton PH2
 - Goderich Fusion Homes
- Leverage Technology Advancement
 - Strengthen our position with other LDCs by being leaders

Threats

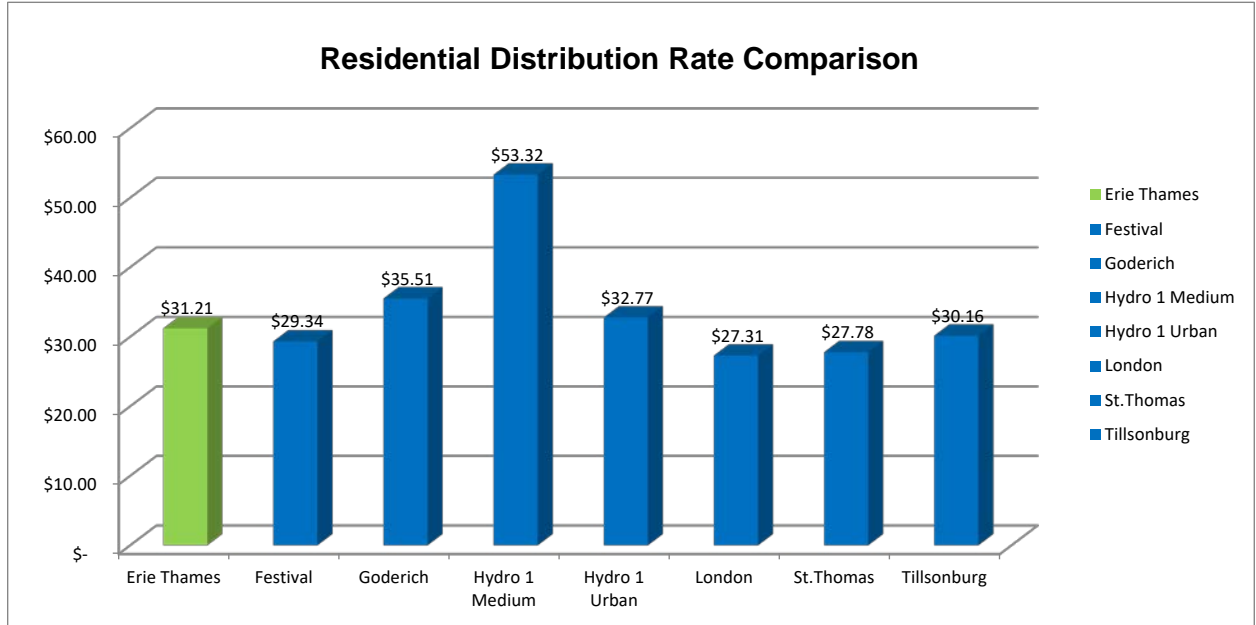
- Funding capital infrastructure renewal requirements
- GM CAMI Assembly strike (understand impacts of GM closure)
- Resource poaching by neighbouring LDCs (already feeling effects)
- Electricity price pressures – global adjustment
- Government reaction to Electricity Price Pressures (Election change)
- Customer expectations
- Regulation

4. Market Analysis

Competitive Analysis

Erie Thames is a non-contiguous LDC spanning 4 counties. Despite our vast service territory ETPL continues to perform well with our neighbours and industry and peers groups:

Rate Analysis





2016 OEB Annual Scorecard Results Posted in 2017

In 2016, Erie Thames Powerlines performed exceptionally well with respect to its KPI targets and improved many of its results when compared to 2015 performance. Bad weather and increasing failure rates for aging distribution assets resulted in a slight decrease in reliability measures for 2016. However, Erie Thames remains well under the former mandated targets and continues to provide excellent reliability for our customers which are significantly better than the industry average.

Scorecard - Erie Thames Powerlines Corporation

8/17/2017

Performance Outcomes	Performance Categories	Measures	2012	2013	2014	2015	2016	Trend	Target	
									Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	98.80%	98.80%	99.40%	98.40%	99.80%	↑	90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	↔	90.00%	
		Telephone Calls Answered On Time	94.60%	95.80%	95.50%	98.40%	98.40%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution			99.7%	99.85	99.54			
		Billing Accuracy			99.85%	99.46%	99.50%	↓	98.00%	
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					83.40%	83.40%	↔	
		Level of Compliance with Ontario Regulation 22/04 ¹		C	NI	C	C	C	↔	C
		Serious Electrical Incident Index Number of General Public Incidents Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	0.000	↔	0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	1.47	0.41	0.59	0.73	1.48	↓	0.89	
		Average Number of Times that Power to a Customer is Interrupted ²	0.31	0.20	0.30	0.48	0.24	↓	0.41	
	Asset Management	Distribution System Plan Implementation Progress			In Progress	94%	104			
		Efficiency Assessment	4	3	3	3	3			
	Cost Control	Total Cost per Customer ³	\$564	\$610	\$631	\$656	\$676			
		Total Cost per Km of Line ³	\$30,891	\$32,792	\$33,707	\$34,342	\$36,550			
	Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings ⁴				18.75%	31.33%		27.63 GWh
Renewable Generation Connection Impact Assessments Completed On Time			100.00%			100.00%	100.00%			
Connection of Renewable Generation		New Micro-embedded Generation Facilities Connected On Time		100.00%	92.86%	100.00%	100.00%	↑	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.78	0.75	0.58	0.85	0.88			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.23	1.19	1.05	1.59	1.55			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%		
	Achieved	8.43%	11.80%	10.63%	9.39%	9.33%				

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C), Needs Improvement (NI), or Non-Compliant (NC).
 2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
 4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

Legend: 5-year trend
 ↑ up ↓ down ↔ flat
 Current year
 ● target met ● target not met



Demographics and Target Market

Given our geographic proximity in Huron County and the similarity of our communities, we feel that a merger of WCHE and ETPL would position us as a stronger regional utility and spearhead the potential for further consolidation in our surrounding areas. Moreover, we are confident that such a combination would greatly increase the value to our respective customers and shareholders by delivering tangible efficiencies and considerable economic benefits. Our rationale for these conclusions is expanded upon below.

- Similar Customers, Similar Municipalities – We believe that WCHE’s customer base is a perfect fit with ETPL’s due to the geographical proximity of our service territories and the similar demographics of our communities. We serve similar customer bases that appreciate a local presence, courteous customer care, and reliable, safe and community-focused delivery of electricity at competitive distribution rates.
- Geographic Proximity – WCHE and ETPL are both servicing customers located in Huron County. We think that a combination of WCHE and ETPL is a compelling picture of a strong regional LDC in southwestern Ontario better positioned to serve customers in the communities along highway 8.
- Strategic Value of a Regional Utility – In addition to the resulting efficiencies and economies of scale, we believe that a growing regional LDC footprint will be beneficial during the inevitable consolidation of the Ontario distribution sector. In the meantime, we will have the scope and resources to thrive while comparable LDCs struggle under the weight of the increasing regulatory and cost burdens.
- Minimum Efficient Size – As highlighted in the recent report of the Distribution Sector Review Panel, we believe that municipalities should look to grow their LDC service territory where it makes good business, operational and financial sense.
- Efficiencies - ETPL anticipates over \$300k of annual efficiencies to be achieved going forward.
- Minimal Rate Harmonization Impact – The distribution rates of WCHE and ETPL are similar which mitigates the risk of negative rate impacts associated with rate harmonization. As well as a merged LDC the efficiency gained will mitigate future rate increases for our customers.
- Similar Back-Office and IT Platforms – WCHE and ETPL share many of the same back-office and IT systems, including billing and CIS (Harris), financial (Microsoft GP), smart metering infrastructure (Elster) and operational data storage (MeterSense). These IT synergies will result in tangible cost-savings in the event of a merger of WCHE and ETPL.
- Opportunities for Job Growth – A merger of ETPL and WCHE will result in no job losses and a strong potential for job growth. We also believe that a merger will spur on more strategic long term relationships with other LDCs in the region that will lead to increased value for our shareholders.

5. 2018 Goals and Opportunities

Goals

Outlined below are a series of Goals that have been identified for ETPL and are reflected in the 2018 budget and pro-forma.

- Zero lost time H&S incidents – Safety First
- Maximize MBRR – continue to foster innovation and seek operational efficiencies
- Merger with Goderich Hydro – Consolidate highway 8 Operations, integrate back office systems and leverage efficiencies immediately to maximize efficiencies early on
- Mitigate Electricity Rates – Leverage CDM for community outreach
- Continue to foster strategic relations within the industry – participation on industry councils
- Foster positive Shareholder Relations/Communications – CEO Breakfast meetings
- Continue to promote CDM and Renewables
 - BIA engagements
 - Community focused energy groups
 - Customer engagement through local outreach, advertising, community networking events
 - Participation with community pilots
- Advocate for positive energy policy
 - Pilot LDC for the OEB’s new Adjudicative Framework for Rates (more streamlined and efficient)
 - Leverage Pilot to build stronger relations with OEB
- Employer of choice - Continue to maintain strong Labour relations – successful negotiation in 2018
- SAIDI , SAIFI performance – continue to target worst performing feeders
 - Leverage automation strategy for distribution system performance improvements (dual automated supply to Norwich)
 - Ensure capex and maintenance plan maintain and or reflect performance improvements
- Implementation of new H&S system with contractor compliance module
- \$2.21 million spend on Fixed Distribution - Maintain System Performance Health
- Aylmer Ethanol Plant expansion dedicated supply build and Possible Aire Liquid operation
- Ongoing Smart Grid Improvements; SCADA, OMS, etc.
- Decommission Mitchell Municipal Substation in 2018
- PME points tied into SCADA system for better telemetry
- Programming of alarms, email alerts etc.
- Further implementation of electronic inspections & maps (paperless environment)
- Work closer with ETPL’s affiliates in becoming a leading edge utility
- Determine ETPL exposure if GM plant were to close and begin to develop a strategy to mitigate that risk



Opportunities

- Operational Consolidation through Mergers Opportunities
 - Merged LDC able to keep efficiency gains for up to 10 years
 - Consolidate and operationalized highway 8 operations immediately
- Enhance Strategic Partnerships with like-minded LDCs to drive efficiencies and increased customer value

6. Long Term Goals

- Continue Strategic Growth for ETPL
- Maintain Competitive Electricity Rates
- Continue to evolve value add to customer
 - Social Media
 - Outage Management
 - GIS
 - Distribution Automation
 - Increased customer focus
- Enhance & automate supply interconnect redundancy to small communities
- Continued focus on quality of service
- Increase Industry Involvement (EDA Executive)
- Implement Workflow Automation
- Decommission Ingersoll MS#1 - 2-3 years
- Community Energy Partnerships
- Green Revolution – Greener Fleet – Paperless

7. Business Development and Communications Strategy

Included in the plan for ETPL is a strategy to further engage our stakeholders through various new initiatives. Also key to our ongoing promotional strategy is leveraging relationships through industry conferences and events.

- Website enhancements and marketing activities
- Social Media
- Shareholder News Letters
- CEO Breakfast – update shareholders on the activities of ERT/ETPL
- Silver Blaze – customer web based portal to access billing data
- Online form Submission – better the customer experience
- Outage Management System (OMS) – provide real time outage information to the organization to better manage emergency situations and push out information to our customers
- Participation in industry and events
 - EDA AGM Enercom delegation
 - EDIST delegation
 - Mearie Conference – HR & Risk management
 - EDA Councils (Operations, Communications, Regulatory & Finance)

-
- LAC – Conestoga Powerline Technician Program
 - Area 1, health and safety group
 - South Western Ontario buying group

If ETPL is successful with the merger with WCHE and as we prepare to transition it would be an opportune time for Erie Thames to rebrand. Rebranding has been supported both by WCHE and the ERTH BOD subject to shareholder approval. The rationale that supports rebranding is listed below:

- Eliminates the geographically limiting name
- With the Goderich merge, the timing is now appropriate
- Expands and builds on the strength of the ERTH brand
- Eliminates customer confusion
- Strengthens the “One Team” approach

ETPL would leverage the rebranding exercise to engage our staff, shareholders and customers. Below are recommendations that have been brought forward for the new brand.



ERTH ERTH

P O W E R E N E R G Y



Operations Plan

Location

Currently, the majority of ETPL staff are based at 143 Bell Street in Ingersoll. The staff in Ingersoll support all business functions for Erie Thames Powerlines customers in the areas of finance, regulatory, billing, call centre, engineering, operations and metering. Ingersoll also operationally services the towns of Ingersoll, Beachville, Embro, Thamesford, Tavistock, Norwich, Otterville and Burgessville. ETPL also has two remote service centres supporting line staff functions located in Staffa north west of Mitchell, servicing the town of Mitchell, Dublin and Clinton and 280 Elm Street, Aylmer servicing Aylmer, Belmont and Port Stanley.

ETPL has been notified by West Perth that they will be selling off the Staffa property. To date we have negotiated a lease extension till March 31st, 2018. The extension will allow time for ETPL to finalize merger discussions with Goderich Hydro. If merger discussions are successful ETPL has proposed to move the service centre and consolidate our highway 8 operations at 240 Huckins Street in the town of Goderich. In 2016 ETPL purchased a lot at 152 Clarke Street in an industrial park in the town of Mitchell as a backup plan in the event the merger between ETPL and Goderich Hydro is not successful to which temporary job trailers would be utilized for the remainder of 2018.

ETPL plans to operationalize the highway 8 operations as soon as possible, subject to successful completion of negotiations with Goderich. Consolidating the highway 8 operations will allow ETPL to maximize efficiencies very early on under the merged LDC allowing attrition to happen naturally without having additional hires being added as well achieve efficiencies of redundant fleet and facilities allowing cost avoidance for capex additions as well ongoing reduced operating costs.

Organization Structure/Staffing

Outlined below is the 2017 organizational chart showing the existing staff compliment along with vacancies and anticipated retirements. In 2018 ETPL would leverage where possible the merger between ETPL & WCHE to fill current vacancies and future hires.

ETPL has done a good job over the last few years planning our current organizational structure to support attrition over the next 5 years creating opportunities for staff to move into more senior roles as natural attrition occurs.

ETPL anticipates 2 senior managers and 2 – 3 supervisors retiring in the next five years to which the organization structure will support a smooth transition.

ETPL also estimates approximately 25% of its unionized staff will retire over the next five years; those positions will be filled as the vacancies occur.

In order to effectively manage the ongoing business requirements and the anticipated retirements ETPL believes it would be beneficial to promote one existing senior manager to more of a general manager



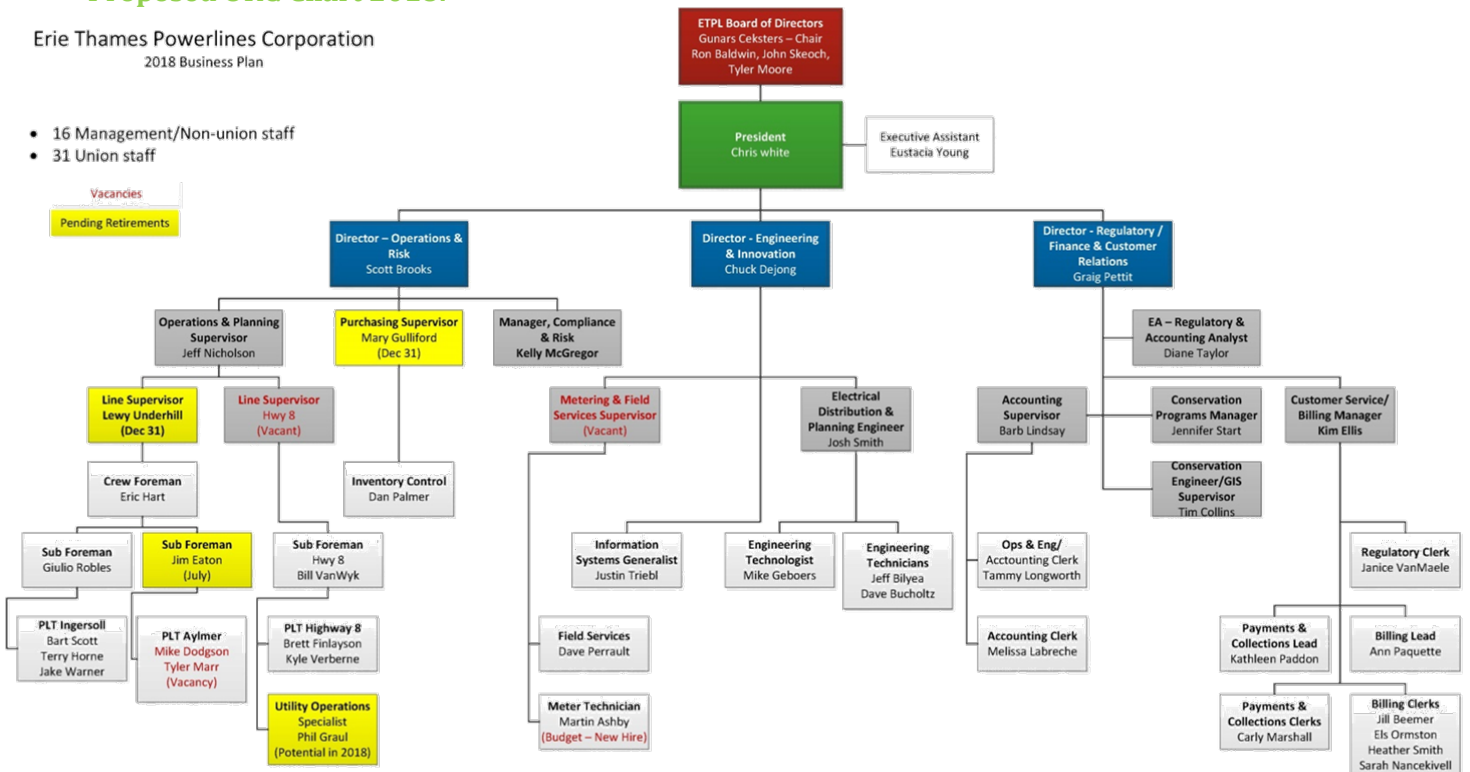
role. This role would be a direct report to the President. Although not illustrated in the org chart this change has been accounted for in the budget.

ETPL is anticipating no net new hires in 2018 subject to merger discussions with WCHE. If merger discussions with WCHE are unsuccessful ETPL will need to hire a line apprentice at our Hwy 8 Operations in the 3rd quarter to deal with ongoing attrition. This addition has been built into the budget

Proposed ORG Chart 2018:

Erie Thames Powerlines Corporation
2018 Business Plan

- 16 Management/Non-union staff
- 31 Union staff



Critical Suppliers/Partners

Outlined below is a list of critical suppliers and partners:

- ❖ ERTH – related party for billing support, back office hosting and corporate management services
- ❖ ERTH / JMar – overflow capital work and emergency storm response
- ❖ Neighbouring LDCs - Mutual aid support
- ❖ Southwest Ontario Buying Group (7 LDCs partnering together for purchasing power)
- ❖ Anixter – pole line hardware and wire supplier
- ❖ CES – transformer supplier
- ❖ Guelph Utility Pole – hydro pole supplier
- ❖ Zap’s Tree Service – vegetation removal and line clearing
- ❖ Commercial Truck Service – utility truck servicing
- ❖ CC Dance – hydrovac services
- ❖ Strategic Partners – Goderich Hydro, Tillsonburg Hydro, Entegus, Festival Hydro

8. Budgets and Projections

- In 2018 ETPL has budgeted a net income before tax of approximately \$1,296,500. This net income is driven off of expected revenues from operations of \$82,563,532 a 4.4% increase over the 2017 projected amounts. This revenue figure incorporates 8 month of a cost of service rate change anticipated in May of 2018 and recognizes \$225,000 of estimated income from ETPL’s conservation program meeting its mid-term target within its joint plan with Alectra.
- Distribution revenues embedded in this amount are \$10,420,300 and other revenues are estimated to be \$494,448. These increases are directly attributed to ETPL’s 2018 COS application and expected increases in other revenue due to increases in late payment revenues and collection charges due to the impending moratorium on disconnections.
- Operating expenses are projected to increase in 2018 by approximately \$500,000 or 8.5%. This change incorporates an increase in labour costs of 2% due to COLA increases of approximately \$100,000. Included in operating costs is also an increase related to work to be completed for the cost of service rate application in the amount of \$150,000 and another \$150,000 due to the implementation of the OEB’s cyber security and privacy framework that will come into force in 2018. Also ETPL has budgeted to replace one of its two retired linemen (Highway 8 and Aylmer) as part of this pro-forma under the assumption that ETPL will continue as a standalone operation in 2018. Should the merger with Goderich become final these costs will not be required and would reduce the operating costs by \$70,000. Lastly the salary for the metering supervisor has been budgeted for in its entirety. Currently the position is vacant and ETPL and ERTH are exploring ways to fill this void in a functional and cost saving manner. It is expected that 2018 actual costs will be less than has been represented in this budget.

-
- Total labour costs for 2018 are forecast to be \$5,500,500 of which \$3,605,575 will be expensed as operating costs, the remaining costs will be capitalized or recovered through ETPL's CDM programs and will not impact the P&L statement. This labour costs incorporates the annual COLA increase as well as all of the relevant changes in the corporate organizational structure that has occurred due to the changes in the metering department and other operational within EARTH Group of Companies., one CO-OP student and one new line apprentice for Aylmer operations.
 - 2018 represents the last year that ETP will have to adjust its profit and loss statement for the difference between IFRS amortization and CGAAP amortization that is actually recovered in rates. The forecast in 2018 removes the CGAAP IFRS adjustment from the statement and normalizes distribution revenue to recover amortization on an IFRS basis.
 - The remaining forecasted amount for 2018 through to 2020 is derived utilizing formulaic changes in costs and revenues to cover off IRM rate increases and inflation applied to expenses.
 - Given that a merge between ETPL and WCHE is imminent ETPL has attempted to forecast the addition of Goderich operations into its pro-forma, in a summarized manner, to provide a better understanding of the benefits of this merger.
 - WCHE stand alone is forecast to earn a net income of \$225,000 in 2017 ETPL has modestly increased this amount by \$10,000 for its 2018 forecast. The resulting combined net income before tax is \$1,531,500 for the combined entity.
 - Once merged EARTH and ETPL believe significant synergies can be achieved and has attempted to forecast these for half of 2018 with the assumption that a merger could become operational in July. The resulting net income before tax after synergies is \$1,630,200.



Operating Budget and Proforma

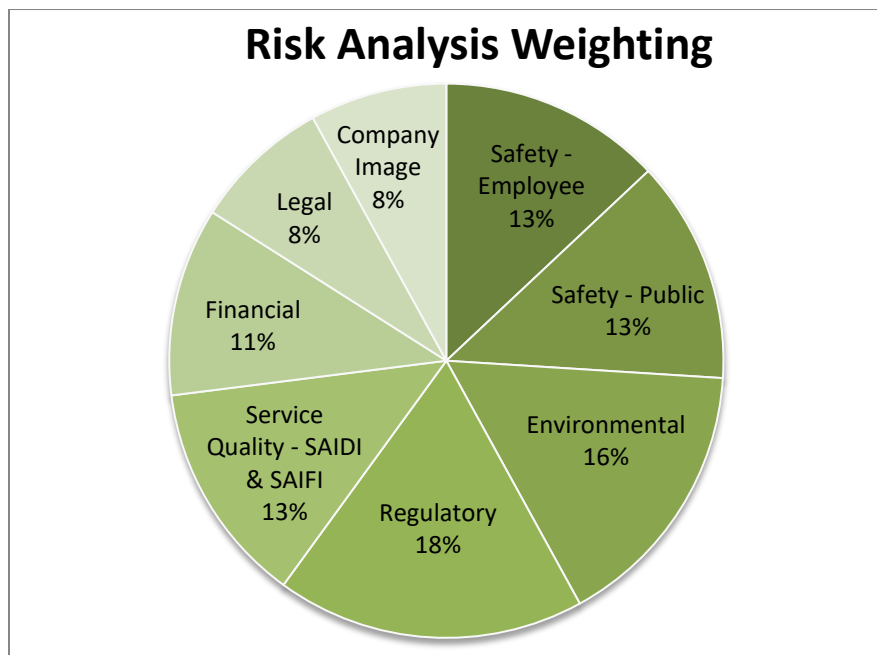
ERIE THAMES POWERLINES						
Projection, Budget and Proforma						
IFRS						
	2017	2018	2019	2020	2021	2022
	Projection	Budget	Proforma	Proforma	Proforma	Proforma
Revenues						
Sale of Energy	\$ 68,346,297	\$ 71,421,880	\$ 74,635,865	\$ 77,994,479	\$ 81,504,230	\$ 85,171,921
Distribution Revenue	10,324,565	10,647,204	10,652,555	10,759,081	10,866,671	10,975,338
Other	471,204	494,448	484,559	486,982	489,417	491,864
Total Revenue from Operations	79,142,066	82,563,532	85,772,979	89,240,541	92,860,318	96,639,122
Operating Expenses						
Cost of Power Purchased	70,704,244	73,885,935	77,210,802	80,685,288	84,316,126	88,110,352
Employee Salaries and Benefits	3,066,520	3,281,468	3,347,098	3,414,040	3,482,320	3,551,967
Operating Expenses	2,824,224	2,878,771	2,856,346	2,913,473	2,971,743	3,031,178
Depreciation and Amortization	1,746,665	1,831,665	1,886,615	1,943,214	2,001,510	2,061,555
	78,341,653	81,877,840	85,300,861	88,956,015	92,771,699	96,755,052
Income from Operating Activities	800,413	685,693	472,117	284,526	88,619	(115,929)
Finance Costs	1,552,617	1,743,839	1,778,716	1,814,290	1,850,576	1,887,587
Net Movement in Regulatory Balances	(1,773,901)	(2,395,655)	(2,629,644)	(2,744,148)	(2,863,901)	(2,989,136)
	(221,284)	(651,816)	(850,928)	(929,858)	(1,013,325)	(1,101,549)
Net Income before tax	1,021,697	1,337,509	1,323,045	1,214,384	1,101,944	985,620
Income Taxes	234,990	307,627	304,300	279,308	253,447	226,693
Net Income after tax	\$ 786,707	\$ 1,029,882	\$ 1,018,745	\$ 935,076	\$ 848,497	\$ 758,927
Goderich Projections assuming Merger on July 1, 2018						
Goderich Income						
Operating Revenues		\$ 1,316,061	\$ 2,684,765	\$ 2,738,461	\$ 2,793,230	\$ 2,849,094
Operating Costs		1,198,596	2,440,342	2,484,268	2,528,985	2,574,507
Net Income		117,465	244,423	254,192	264,245	274,588
Combined Net Income		1,454,974	1,567,469	1,468,577	1,366,189	1,260,207
Projected Efficiencies		98,750	316,450	402,779	389,235	395,819
Projected Combined Net Income with Efficiencies		1,553,724	1,883,919	1,871,356	1,755,423	1,656,027
Income Taxes		357,356	433,301	430,412	403,747	380,886
Combined Net Income after tax		\$ 1,196,367	\$ 1,450,617	\$ 1,440,944	\$ 1,351,676	\$ 1,275,140

Capital Budget Summary

With regards to asset replacement, decisions are made to achieve the right balance between achieving maximum life expectancy, highest operating performance, lowest initial investment (capital costs) and lowest operating costs with safety top of mind. The majority of the investments in fixed assets are triggered by either declining performance in the areas of reliability, power quality and safety; or increasing operating and maintenance costs associated with aging assets; or anticipated growth in demand requiring capacity upgrades. In all cases, investments that are either oversized or made too far in advance of the actual system need may result in non-optimal management. On the other hand, investment not made on time when warranted by the system needs raise the risk of performance targets not being achieved and would also result in non-optimal management. Optimal management of the distribution system is achieved when “right sized” investments into renewal, refurbishment and preventative maintenance are planned and implemented on a “just-in-time” approach.

ETPL implements the use of a software based investment optimizer to ensure that planned projects are targeted to areas of the distribution system most in need. This allows the objectives set out in the mission statement and corporate goals to be realized while minimizing risk to customers, employees and shareholders.

Each project being considered for capital expenditure is assigned risk based on consequence and probability for a number of categories. The investment optimizer requires that all categories be assigned importance and the following figure illustrates the weighting that has been adopted by ETPL in line with our internal and corporate objectives.





The table below summarizes our proposed capital expenditures for 2018.

CAPEX PROJECTS	DESCRIPTION	BUDGET
Fixed Distribution Assets	Poles, wires , transformers	\$ 2,021, 232
System Automation	PME integration with SCADA system	\$ 90,000
IT	SCADA server/firewall, desktops, laptops, hardware	\$ 27,150
Relocation of Plant	Blanket project for municipally driven plant relocation	\$150,000
Leasehold Improvements	Ingersoll Front Lobby & Boardroom, Bell St., EV Charging station,	\$ 72,000
Meter Stock	Meter Stock, CT's/PT's/Hardware, Collector Stock, Meter Base adaptor for Analyzer	\$ 234,500
C&I Connections	New Commercial & Industrial Service Connections	\$ 204,000
Residential Connections	New residential service connections	\$ 231,000
Substation Upgrades	Fence repairs & gravel	\$ 9,000
Tools & Equipment	General Tools & Equipment	\$ 38,389
Maps & Records	Updates to GIS as a result of Capital projects	\$ 120,000
Fleet Replacement	Aylmer Trailer, Electric Vehicle	\$ 60,000
	TOTAL OPTIMIZED CAPEX	\$ 3,257,271

Optimization of Capital Costs

ETPL is taking a slightly different approach to our distribution system planning as a whole. Multiple smaller projects that have traditionally been identified to accomplish a targeted goals for a given town, area or feeder have been consolidated into one larger project. The goal of the new approach is to have a more strategic focus to accomplishing ETPL's goal in a shorter time span thus creating efficiencies within the project and recognizing the return from the project sooner.

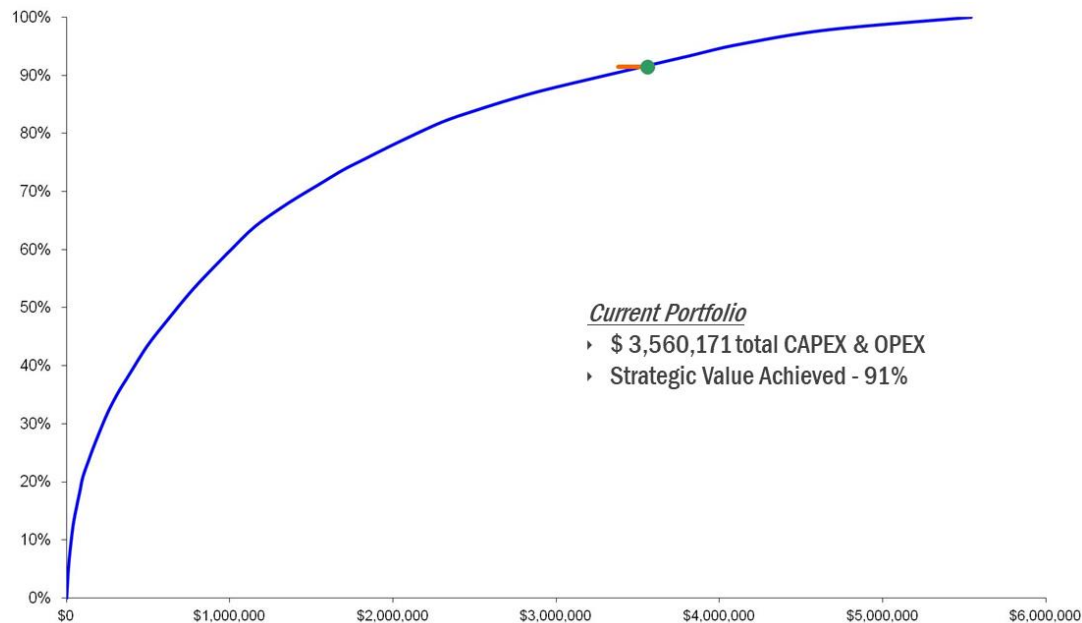
- Consideration of larger (approx. \$400,000 or greater) to obtain efficiencies.
 - Utilize & maintain larger "construction" crews capable of remaining on project for the entire duration
 - Easier to plan, notify customers, coordinate with municipal projects etc.
 - Leads to more focused decision making in the Optimization process
 - Accomplishes a targeted goal sooner
- Total Project Portfolio - \$5,542,695
- 40 Projects Optimized - 4 Deferred (\$1,982,524)
- Strategic Value Achieved - 91%
- Total Optimized OPEX - \$330,500



Fixed Distribution Asset Project Detail

General	ALL-UNPLD-Unplanned Capital Investments	\$100,000	\$300,000
	ALL-OHUPG-Planned Pole Replacements	\$200,000	
Ingersoll Operations	OTT-UGUPG-Grove & Maple	\$110,292	\$165,292
	EMB-METER-PME Replacement	\$55,000	
Aylmer Operations	AYL-OHCONV-Caverly Rd. to McBrien Stn.	\$420,450	\$1,074,650
	PTS-OHUPG-George Street Completion	\$60,000	
	AYL-UGCONV-Bank of Montreal & Community Living	\$135,240	
	AYL-OHCONV-Myrtle to John w/ Pool	\$258,840	
	AYL-OHCONV-Talbot St.-Myrtle to Wellington	\$200,120	
Mitchell Operations	CLI-OHCONV-George St. & Don St.	\$409,290	\$481,290
	MIT-STN-Install Stepdowns & Decommission Stn.	\$72,000	

Efficient Frontier - Value

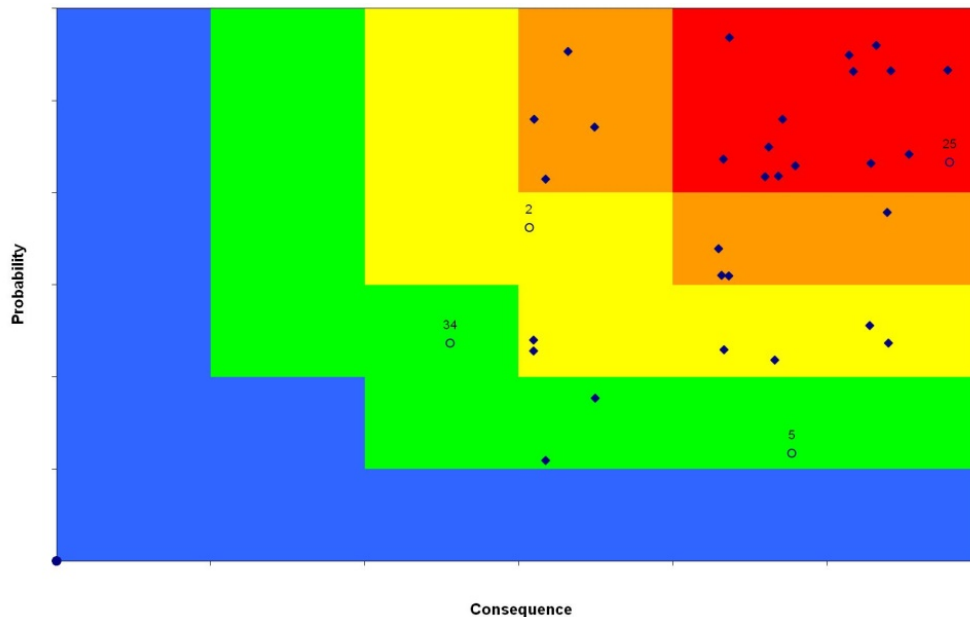


Efficient Frontier - Risk

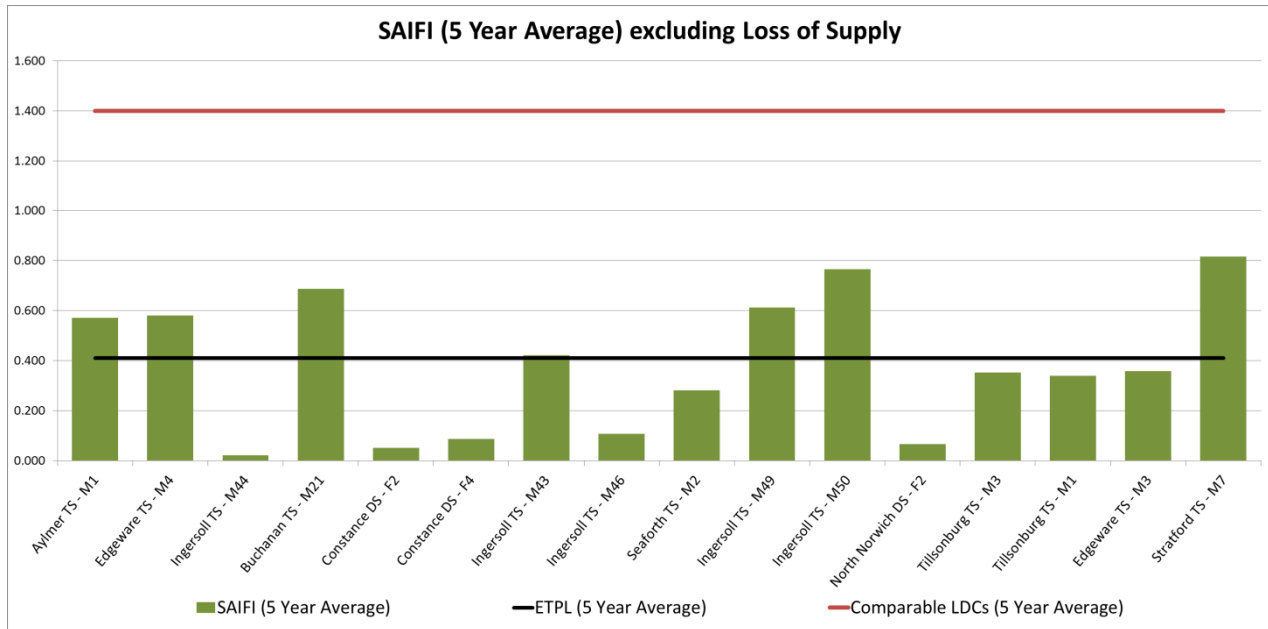
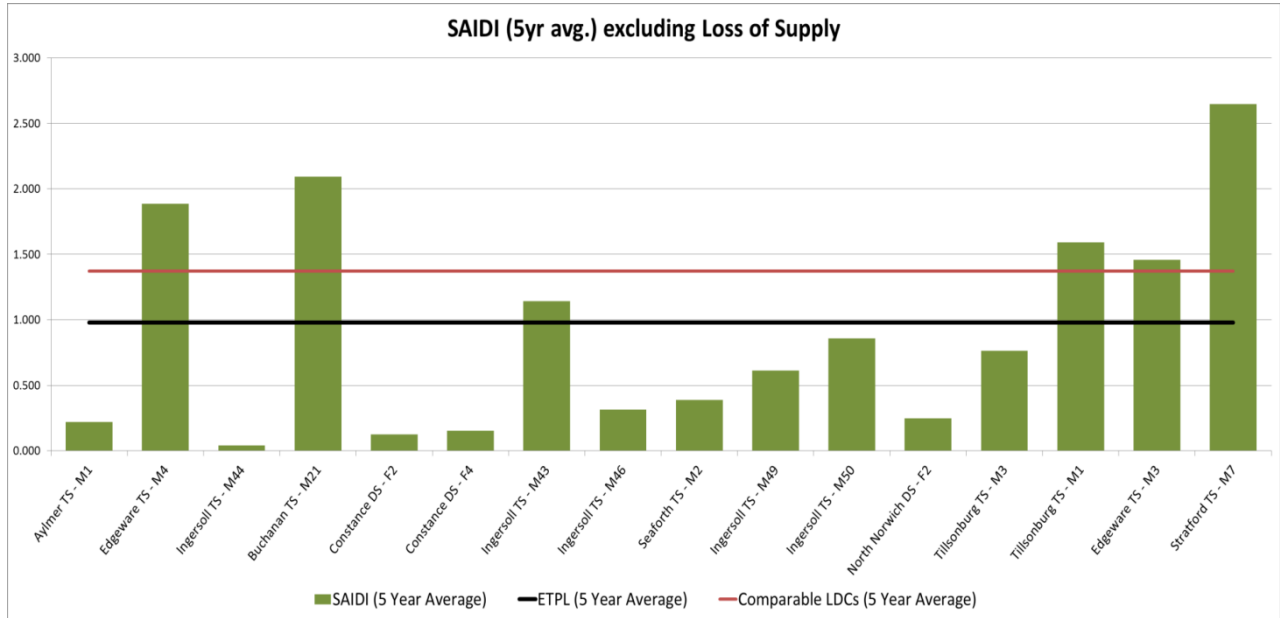


2018 Project Risk Matrix

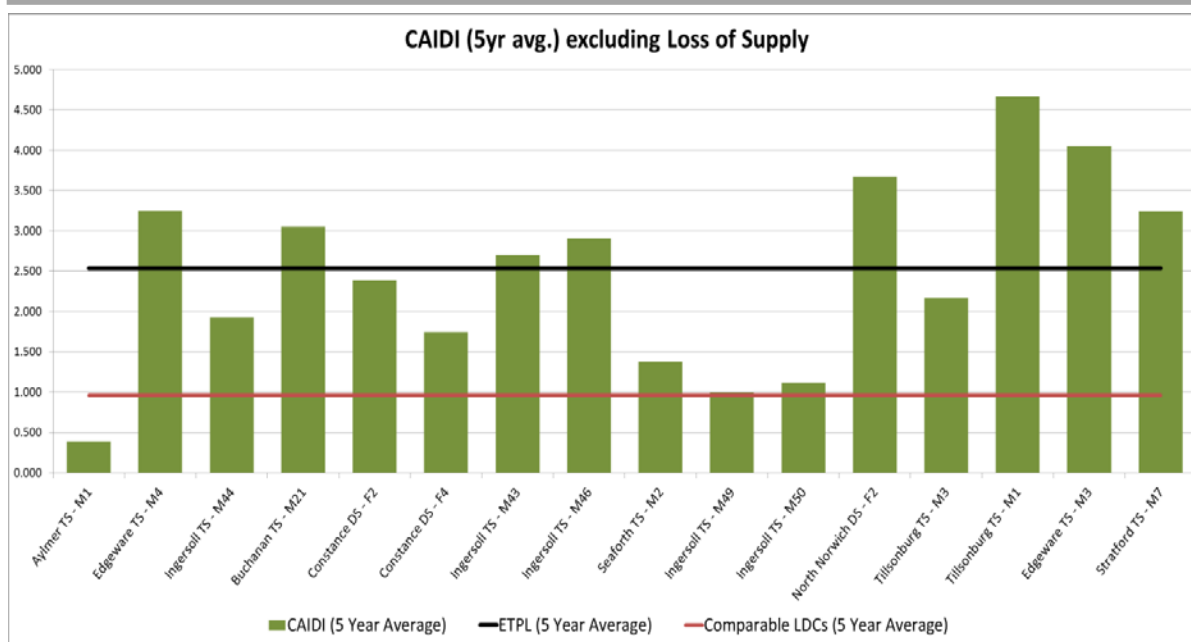
The optimizer uses the project risk matrix to group projects based on the ratings that are assigned through the optimization process. It looks at the severity of the consequences along with the probability of them occurring to group the projects into the five (5) risk categories. In any given year the projects with the highest combined risk are chosen in to produce an optimized portfolio aimed at reducing risk in line with the defined corporate goals.



Worst Performing Feeder Analysis



ETPL is leveraging outage data and will be performing “worst performing feeder” analysis to help us target areas affected most by reliability issues. Better analysis of worst performing feeders will translate to the Optimizer scoring process helping to ensure ETPL’s objectives continue to be met.



ETPL understands that CAIDI can be a flawed metric and is no longer included on the OEB scorecard, due to the fact that more frequent outages or higher SAIFI values will create artificially low CAIDI values. In ETPL’s case, our LOS adjusted SAIFI values are typically low compared to industry averages and therefore the CAIDI metric provides some valuable information.

Historically ETPL’s CAIDI reliability metrics have been higher than industry levels indicating that the average restoration time is longer than industry standards. This can primarily be explained by the geographic makeup of our service territory with significant driving distances between a number of our communities and service centers. It can be seen that restoration times tend to be greater in communities further from ETPL service centers.

- *Tillsonburg TS - M1 services Otterville which is a driving distance of approximately 30mins*
- *Edgeware TS - M3 service Port Stanley which is a driving distance of approximately 35mins*
- *North Norwich DS - F2 services Burgessville which is a driving distance of approximately 25 mins*
- *Stratford TS - M7 service Tavistock which is a driving distance of approximately 40 mins*

An outlier from this reasoning is the Edgeware TS - M4 feeder which supplies the southern half of Aylmer. The vast majority of this area is older underground subdivisions and rear yard construction which typically require longer outages due to troubleshooting and access issues. Although CAIDI values are historically higher than industry levels, ETPL has been able to maintain SAIDI & SAIFI values below industry levels ensuring that customers are experiencing fewer outages.

ETPL will continue follow our 5 year distribution plan monitoring the performance of the distribution system ensuring safety (public and employee) and reliability is top of mind for all communities served.

9. Acronyms List

Acronym	Description
CIS	Customer Information System: Software used for Billing and Customer relationship management for Utilities. Product used by ERTH is NorthStar via an Enterprise Agreement with Harris Utilities.
ESA	Electrical Safety Association
GIS	Geographical Information System
IESO	Independent Electricity System Operator
LDC	Local Distribution Company
MAS	Used to describe the head end system to capture the Elster interval meter data.
MDMR	Meter Data Management System. System operated by the IESO (Independent Electricity System Operator) which is provincially managed.
ODS	Operational Data System. System used to manage interval metering data. ERTH is currently deploying the MeterSense product, owned by Harris Utilities.
OEB	Ontario Energy Board
OMS	Outage Management System. System used to track, monitor and manage power outages
OPA	Ontario Power Authority
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
CAIDI	Customer Average Interruption Duration
Utility 2.0	An adaptation, a business model that allows utilities to accommodate the shift to new technologies and achieve a 21st century electricity system that is efficient, low-carbon, and flexible.
LAC	Local Advisory Committee



10. Schedule A

2018 Project Assessment Forms