

Scorecard - St. Thomas Energy Inc.

| 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 | 100.00% | 100.00% | 100.00% | 100.00% | 98.40% | | 90.00% | | |
| | | Scheduled Appointments Met On Time | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | | 90.00% | | |
| | | Telephone Calls Answered On Time | 83.80% | 76.50% | 68.20% | 74.60% | 75.80% | | 65.00% | | |
| | Customer Satisfaction | First Contact Resolution | | 100% | 100% | 100% | 100% | | | | |
| | | Billing Accuracy | | | 99.91% | 92.74% | 99.95% | | 98.00% | | |
| | | Customer Satisfaction Survey Results | | | A A A+ | B+ A A | B+ A A | B+, A, A | | | |
| 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 | | | | | 83.00% | 83.00% | | | |
| | | Level of Compliance with Ontario Regulation 22/04 ¹ | C | NI | NI | C | C | | | C | |
| | | Serious Electrical Incident Index | Number of General Public Incidents | 0 | 0 | 0 | 0 | 0 | | | 0 |
| | Rate per 10, 100, 1000 km of line | | 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 | 0.22 | 0.99 | 0.57 | 0.35 | 1.04 | | | 0.62 | |
| | | Average Number of Times that Power to a Customer is Interrupted ² | 1.05 | 1.42 | 1.58 | 1.04 | 1.49 | | | 1.12 | |
| | Asset Management | Distribution System Plan Implementation Progress | | 100% | 100% | 100% | 99.58% | | | | |
| | Cost Control | Efficiency Assessment | 3 | 3 | 3 | 3 | 3 | | | | |
| | | Total Cost per Customer ³ | \$570 | \$533 | \$516 | \$513 | \$534 | | | | |
| Total Cost per Km of Line ³ | | \$37,496 | \$33,412 | \$33,823 | \$33,419 | \$38,032 | | | | | |
| 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 | | | | | 12.26% | 37.27% | | 17.51 GWh | |
| | Connection of Renewable Generation | Renewable Generation Connection Impact Assessments Completed On Time | 100.00% | 100.00% | 100.00% | | 100.00% | | | | |
| | | New Micro-embedded Generation Facilities Connected On Time | | 100.00% | 100.00% | 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) | 1.41 | 1.42 | 1.17 | 1.09 | 1.36 | | | | |
| | | Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio | 1.00 | 0.83 | 0.77 | 0.71 | 0.65 | | | | |
| | | Profitability: Regulatory Return on Equity | Deemed (included in rates) | 9.58% | 9.58% | 9.58% | 9.30% | 9.30% | | | |
| | | | Achieved | 1.31% | 10.77% | 9.36% | 11.64% | 10.65% | | | |

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

2016 Scorecard Management Discussion and Analysis (“2016 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2016 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

Overview for St. Thomas Energy Inc. (“STEI”)

STEI is a licensed electricity distributor operating pursuant to license ED-2002-0523, and distributes electricity to approximately 17,250 customers in the City of St. Thomas. STEI’s franchise area is primarily contained within the municipal boundaries of the city of St. Thomas and is about 33 square km in area. STEI is largely an urban service territory. STEI’s distribution system is supplied by Hydro One Networks Inc. primarily from the Edgware TS at a voltage level of 27.6 kV.

STEI is committed to providing and maintaining a reliable electricity supply to its rate payers. Equally important is the continued safety of STEI’s workforce; as of December 31, 2016 STEI achieved the milestone of 21.1 years without a lost time injury. STEI is also committed to maintaining exceptional customer service. STEI provides CustomerConnect, an on-line customer web portal as a means to improve customer communications and relationship. CustomerConnect provides customers with web access to a wide variety of self-serve options such as access to their bill, payment and consumption histories, log service calls, review and pay accounts, and submit meter readings.

STEI also works collaboratively with other utilities to provide Conservation and Demand Management (CDM) programs to assist customers with load reduction. These initiatives contribute to the excellent results shown for Customer Satisfaction Survey results and CDM program uptake.

STEI works closely with the local social agency, St Thomas-Elgin Ontario Works. St Thomas Elgin Ontario Works (“OW”) provides financial and employment assistance to people in financial need. OW and STEI staff work together almost daily to resolve collection type issues and concerns of customers. These efforts are taken on to provide services to our low-income customers.

Service Quality

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

STEI continues to provide a high level of service to connect customers on time. In 2016, STEI connected 98.4% of 191 eligible low-voltage residential and small business customers (those utilizing connections less than 750 volts) to its system within the five-day timeline prescribed by the *Distribution System Code* (“DSC”). STEI continuously seeks opportunities to improve its performance and has consistently performed above the OEB mandated target of 90% in this area.

- **Scheduled Appointments Met On Time**

STEI scheduled 482 appointments with its customers in 2016 to complete work requested by customers or the customer’s representative within a 4 hour period. In 2016, STEI met 100% of scheduled appointments being completed on time, which exceeds the industry target of 90%. STEI’s staff are aware of the obligations and are committed to exceeding the requirements for making appointments with our customers. Providing excellence in customer service is at the core of STEI’s corporate philosophy, and the utility is consistently seeking new ways to foster meaningful two-way communication, expand on the range of service offerings and improve service convenience.

STEI has met 100% of the scheduled appointments for the past five years. This is an excellent result that highlights STEI’s commitment to our customers and focus on providing superior customer service. The numbers of appointments scheduled from 2012 to 2016 are:

- 2012 - 440
- 2013 - 401
- 2014 - 503
- 2015 - 451
- 2016 - 482

- **Telephone Calls Answered On Time-**

In 2016, STEI Customer Service agents answered 75.8% of calls within 30 seconds, above the OEB-mandated target of 65%. This result is an improvement over STEI’s 2015 result of 74.6%. This change was attributed to internal process improvements.

STEI recognizes the need to balance cost efficiencies with service quality in order to prudently deploy resources throughout the company.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolutions (“FCR”) can be measured in a variety of ways and further regulatory guidance will be necessary in order to achieve meaningful, consistent and comparable information across electricity distributors.

STEI has defined FCR as any items that have been escalated to the OEB in which Board staff has confirmed STEI’s resolution. In 2016, 100% of STEI’s escalations to the OEB were effectively resolved in-house.

Additionally, in response to STEI’s 2017 UtilityPulse survey, STEI’s Customer Experience Performance rating was 87% as compared to an Ontario rating of 80%. UtilityPulse specializes in providing Customer Satisfaction surveys in the utility sector and has been conducting employee satisfaction surveys since 1987.

- **Billing Accuracy**

The Billing Accuracy measure represents the ratio of the number of accurate bills issued, over the total number of bills issued. In 2016, STEI Billing Accuracy result was 99.95% which exceeds the OEB target of 98% on a yearly basis. This was a significant improvement over STEI’s 2015 result of 92.74%.

In 2015, STEI enhanced billing internal controls and reviewed effective dates on rate setups. The improvement was primarily due to a one-time isolated event that occurred in 2015 in which 15,072 customers were overbilled approximately \$2 each for a total of approximately \$31k. There was no significant impact to customers, as STEI was able to apply a bill credit to each affected customer on the next billing cycle. Normalizing for this incident, STEI would have reported a Billing Accuracy result of 99.98% in 2015.

STEI continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

This measure requires utilities to canvass customer satisfaction in the areas of power quality and reliability, price, billing and payment, communications and customer service. The OEB introduced the Customer Satisfaction Survey Result measure beginning in 2014. At a minimum, electricity distributors are required to measure and report a customer satisfaction survey every other year. STEI has complied with this bi-annual requirement, as a means to assess the level of customer satisfaction.

STEI continues to have excellent Customer Satisfaction results. In the 2017 survey conducted by UtilityPulse, the customer satisfaction ratings on our report card were B+, A, A, for Customer Care, Company Image and Management Operations respectively, with an overall report card rating of A. These ratings exceed the Ontario and National averages. The findings are based on telephone interviews with 400 respondents who manage their electricity account. The sample of the phone numbers was drawn randomly to ensure each number on the list had an equal opportunity 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.

STEI continues to strive to provide superior customer service and commitment to our customers, which is reflected in the strong survey results. As noted in STEI's survey findings, 2017 has been a challenging year as the industry has faced increased scrutiny and media attention over hydro rates. Despite this challenging landscape, 89% of St. Thomas Energy's customers agree our LDC is trustworthy, as compared to a provincial average of 74%. Further, STEI had a 91% customer satisfaction on system reliability and 92% of respondents indicated that STEI delivers on its service commitments. Customer feedback suggested that STEI can continue to improve by providing: enhanced customer interaction programs and technology to assist in account management and notification of power outages and improved billing communication and literacy to provide customers with more tools to better understand related charges.

Safety

- **Public Safety**

This performance measure evaluates the status of a distributor's compliance with Ontario Regulation (O. Reg.) 22/04, which sets out the key operating parameters with respect to ensuring electrical safety for existing and newly constructed distribution assets. The annual Compliance Audit and Declaration of Compliance, Due Diligence Inspections, Public Safety Concerns, and Compliance Investigations are the four elements of this performance measure.

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

The survey tests the respondents' electrical safety awareness across several topics, including powerline clearance distances, emergency procedures related to vehicular collisions with utility equipment, and safety precautions related to excavation work. STEI reported strong results from its 2016 Public Safety Awareness survey with an overall awareness index across all categories of 83%. This result suggests that our customers have a good knowledge of electrical safety which reflects STEI's core values of putting safety first. In accordance with OEB requirements, the survey is conducted every other year. The survey described below was conducted in early 2016, and was reported on the 2015 scorecard, as requested by the OEB. As such, there was no change in the Public Awareness survey results. In 2016, STEI continued to promote media correspondence and education on electrical safety. Further, STEI supports an Elementary School Program which educates young children and teachers on electrical safety.

STEI will continue working with its customers to facilitate electrical safety across its service territory and plans to conduct another survey in early 2018.

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

Annual Audit and Due Diligence Inspections (DDI) form part of Component B.

The Annual Audit is performed by an ESA-approved independent auditor; the primary focus is to assess the extent of compliance of LDCs to Ontario Regulation 22/04, *Electrical Distribution Safety*, and specifically to measure whether the distributor has appropriate processes in place to comply with the safety standards set out in the Regulation and whether the distributor generally adheres to these processes.

The Due Diligence Inspections “DDIs” compliment the annual audit report. The DDI’s primary emphasis is to ensure the construction in the field is in accordance with a plan, work instruction, and/or standard design. The DDI inspections are performed by ESA inspectors.

In 2016, STEI was assessed as compliant with the annual Ontario Regulation 22/04, however noted areas in which need improvement including: notice of inspections and a lack of job certificates. In response to these audit findings, STEI has undergone an internal process review and conducted additional training to ensure regulations are met going forward. This process included specific training on inspection records requirements as per the ESA’s Construction Verification Program. In 2017, STEI has implemented periodic internal audits to ensure compliance with these standards.

As a community LDC, STEI remains committed to all aspects of public and worker safety (including compliance with Ontario Regulation 22/04), and will use the annual audit and due diligence Inspections as the catalysts for continuous improvement.

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

STEI is very pleased to report that there were no serious non-occupational (general public) electrical incidents in 2016. In addition to the prescribed Minimum Inspection Requirements (as set forth in Appendix C of the OEB’s Distribution System Code), STEI annually carries out infrared inspection to identify thermal anomalies conditions on electrical equipment within the selected area (1/3 of the assets) and promptly addresses any issues identified.

System Reliability

Average Number of Hours that Power to a Customer is Interrupted

The average number of power interruptions across STEI system increased to 1.04 in 2016, from 0.35 in 2015. In 2016, STEI experienced a higher number of power outages due to defective equipment and extreme weather conditions. STEI experienced a wind storm on July 25th, with winds as high as 120 km/h, which disrupted powerlines and uprooted trees. The adverse weather conditions, led to widespread outages on STEI's overhead system. Power outages related to defective equipment was a result of aging product lifecycle, planned equipment upgrades and damage resulting from unfavorable weather conditions.

Average Number of Times that Power to a Customer is Interrupted

In 2016, STEI's System Average Interruption Frequency Index ("SAIFI") was 1.49 hours. This represented a 0.45 hour increase from the 2015 result of 1.04 hours. This is consistent with the utility's expectations of normal year-over-year volatility driven mainly by external factors and adverse weather. Consistent with the average duration interruptions, the contribution from outages related to defective equipment and extreme weather conditions.

To control outages and provide quicker restoration time, STEI maintains a three year rolling tree-trimming program whereby one-quarter of its service territory is trimmed annually. This schedule contributes to less tree contact during storm conditions. STEI also conducts annual infra-red testing on all primary overhead conductors, overhead transformers and switches. STEI also maintains a three year rolling inspection of all overhead conductors, switches and pad-mounted transformers.

STEI remains committed to proactively engage in reviewing the causes of its power outages in order to improve reliability and safety of its distribution system.

Asset Management

- **Distribution System Plan Implementation Progress**

The progress of the Distribution System Plan implantation is a new performance measure instituted by the OEB starting in 2015, intended to measure the success of utilities in implementing their capital investment plans. The OEB currently requires utilities to define and report the measure in a manner that provides the most meaningful assessment of their performance.

STEI has developed a long-term Distribution System Plan (DSP) that supports the cost-effective planning and operation of a reliable and sustainable distribution system to provide value to STEI customers. The DSP will be optimized in an on-going basis to align the asset performance with public & worker safety, customer service requirements and system reliability.

In 2016, STEI reported 99.58% spending of its forecasted capital expenditure. These capital expenditures included 2015 carry-over projects and increased customer driven projects; as a result approximately 43% of the planned 2016 DSP projects have been completed.

The 2016 DSP as forecasted in 2014 included \$200k annually for customer driven work (e.g. new customer connections). However, the significant amount of residential and commercial development growth in St. Thomas has resulted in significantly higher customer driven work. The actual amount of customer driven work for 2016 was \$692k and \$719k in 2015. STEI is experiencing an even greater increase in activity 2017; as of July 31, 2017 STEI has completed \$988k of customer driven work.

The impact on the DSP is that internal resources are not fully available to complete the originally planned DSP system projects. This results in projects being deferred and being carried over into the next year. Management continues to monitor project timelines, assess project risks and manage cash flow. However, it is anticipated that some of the DSP capital projects will be deferred beyond the original five year DSP plan.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group (“PEG”) LLC on behalf of the OEB. The evaluation utilizes econometric modelling to produce an efficiency ranking of all Ontario electricity distributors. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs.

The following outlines the five groups to which distributors can be allocated.

1. Cohort I (Stretch Factor = 0.00%) – Actual costs are 25% or more below predicted costs;
2. Cohort II (Stretch Factor = 0.15%) – Actual costs are 10% to 25% or more below predicted costs;
3. Cohort III (Stretch Factor = 0.30%) – Actual costs are within +/- 10% of predicted costs;
4. Cohort IV (Stretch Factor = 0.45%) – Actual costs are within 10% to 25% or more above predicted costs; and
5. Cohort V (Stretch Factor = 0.60%) – Actual costs are within 25% or more above predicted costs.

Per the 2016 Benchmarking Update issued July 2017. In 2016, STEI was once again placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. STEI 2014-2016 actual costs were 8.1% less than the predicted costs.

Group 3 is considered “average efficiency” – in other words, STEI’s costs are within the average cost range for distributors in the Province of Ontario. In 2016, 47% (32 distributors) of the Ontario distributors were ranked as “average efficiency”; 29% were ranked as “more efficient”; 24% were ranked as “less efficient”.

- **Total Cost per Customer**

Total cost per customer and per kilometer are computed by PEG utilizing its econometric model. The model adjusts costs reported in distributor’s financial statements in order to benchmark sector costs performance.

STEI’s total cost per customer is calculated as the sum of STEI’s capital and operating costs, as reported in the PEG report, divided by the number of metered customers. The capital costs in the following table do not represent the capital additions reported in STEI’s financial statements. Rather, the figures are adjusted by PEG in order to consistently compare utilities of difference sizes across the province.

| | 2015 | 2016 |
|--|------------------|------------------|
| OM&A Cost per Customer | 3,793,637 | 4,219,822 |
| Capital | 4,962,107 | 4,984,008 |
| Total OM&A and Capital Cost | 8,755,744 | 9,203,830 |
| Number of Customers | 17,072 | 17,246 |
| OM&A Cost per Customer | 222.21 | 244.68 |
| Capital Cost per Customer | 290.66 | 289.00 |
| Total Cost per Customer | 512.87 | 533.68 |

STEI’s total cost per customer for 2016 of \$533.68 is \$20.81 (or 4.1%) greater than the 2015 cost per customer amount of \$512.87.

Total OM&A cost per customer was higher in 2016 due to operational succession planning, increased outsourcing due in part to temporary

staffing shortages, increased regulatory costs, increased bad debt expense and other miscellaneous items. STEI notes that the 2016 OM&A expenditures approximate the 2015 Cost of Service approved OM&A expenditures.

Total Capital cost per customer was \$1.66 lower in 2016 which represented a decrease of 0.01% year-over-year.

STEI continues to look for operational efficiencies and increasing effectiveness. STEI continues to assess optimizing asset performance at a reasonable cost in consideration of customer expectations, system reliability, technology innovation and public and employee safety.

STEI continues to invest in the conversion of its 2,400 V system with the modern 27.6 kV system. Replacing this system enhances STEI's system reliability, decreases the need to access customer backyards and provides greater safety to STEI customers and employees. The conversion plan also reduces the number of substations. STEI is also party to a Mutual Assistance Plan between eight distributors and is a member of two additional collaborative groups, Utility Collaborative Services Group ("UCS") and CustomerFirst initiative. STEI derives a variety of benefits from these collaborative groups such as shared systems and incorporating lessons learned from various projects.

- **Total Cost per Km of Line**

This measure uses the same PEG econometric modelling results described above in the Cost per Customer calculation above. These results are then divided by the kilometers of line that STEI operates to serve its customers.

In 2016, STEI's km of line decreased by 7.6% to 242 kms as compared to 262 kms as reported in 2015. This decrease is mainly attributed to a change in estimate. In 2016, STEI had a fully operational Geographic Information System ("GIS") which is a more precise database of STEI's service territory. In prior years, STEI was using a service map of its geographical location. For comparative purposes, STEI's GIS system would have reported 241 km in 2015. STEI is confident that this change in approach will provide more accurate and reliable information to users going forward.

STEI's 2016 Total Cost per km of Line of \$38,032 was \$4,613 or 13.8% greater than the 2015 Total Cost per km of Line amount of \$33,419. This increase was mainly attributable to the decrease in total Km of line of 7.6% and an increase in operating expenses as described above. The 2015, Cost per km of line would have been \$36,331 if the 241 km of line was used. This equates to a normalized increase of \$1,701 or 4.7% year-over-year.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

STEI is committed to helping customers understand their energy consumption by offering programs that enable them to become more energy efficient. As an electrical distributor, STEI has a conservation target of 17.51 Gigawatt hours over the next six years. The 2016 results that STEI achieved is 210% of its 2016 Annual Conservation target, resulted in a life-to-date achievement of 37% of the total 2015-2020 Conservation First Framework target. This achievement was made possible by the strong participation of local commercial customers in our retrofit and energy efficient lighting programs. Residential customers also participated in saveONenergy coupon events, opting to switch to more energy efficient lighting, as well purchasing other energy efficient equipment. The combined efforts of all such programs and participants from both residents and businesses made the achievement of substantial energy savings possible.

STEI is committed to providing our customers with cost effective conservation programs to help them save electricity and lower their electricity bills. All sectors and customer types are covered in the joint plan and customers will have access to multiple province-wide, local and pilot programs. The joint CDM plan includes three pilot programs that will be developed and launched to meet the local needs of our customers. In 2015, STEI received approval from the IESO to deliver a pilot residential program designed to assist residential customers with electrical heating. The Home Energy and Assessment (HEAR) program launched in the fall of 2016 and is expected to result in 12,222 kWh of annual savings and 61,112 kWh towards the 2020 target. The program offered a free home energy assessment and free energy efficient measures. More than 230 energy efficient measures were installed in homes across the St. Thomas service territory.

Connection of Renewable Generation

STEI supports the renewable generation programs in Ontario and as of December 31, 2016 there were 50 microFIT projects (≤ 10 kW) connected representing 439.62 kW of generation and another 5 FIT projects representing 940 kW of generation.

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

There were three connection impact assessments during 2016, all of which were completed on time.

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

STEI connected 100% of the four generation facilities on time.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio that is greater than 1.0 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1.0 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations.

STEI’s current ratio increased from 1.09 in 2015 to 1.36 in 2016. This represented an increase of 26% year-over-year. This increase is mainly attributed to a 23% increase in account receivables year-over-year due to higher consumption, an increased customer base and a larger receivables balance on our recoverable jobs.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly leveraged than the deemed capital structure. A debt to equity ratio of less than 1.5 indicates that the distributor is less leveraged than the deemed capital structure.

STEI’s actual debt to equity structure is 39.3% debt and 60.7% equity, equating to a ratio of 65%.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

STEI’s 2016 distribution rates were approved by the OEB in the 2015 Cost of Service Application and include an expected (deemed) regulatory return on equity of 9.30%.

The OEB allows a distributor to earn within +/- 300 bps of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenues and costs structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

STEI’s achieved regulated rate of return (based upon the deemed equity) for 2016 was 10.65%, which is within the +/- 300 bps range allowed by the OEB. STEI’s 2015 rate of return was 11.64% and the 2014 rate of return was 9.36%.

Note to Readers of 2016 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.