

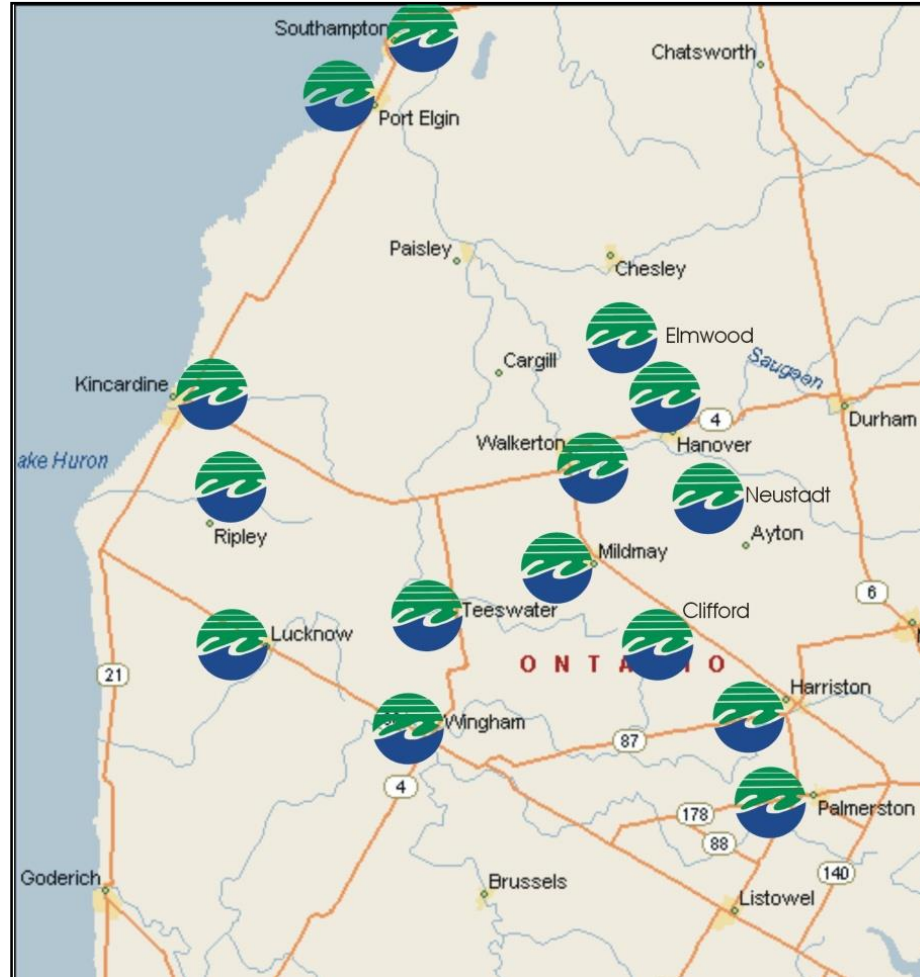
The background features abstract geometric shapes in shades of blue and green. On the left, a solid blue shape tapers towards the top. On the right, there are overlapping, semi-transparent shapes in various shades of blue and green, creating a dynamic, layered effect.

Westario Power Inc.

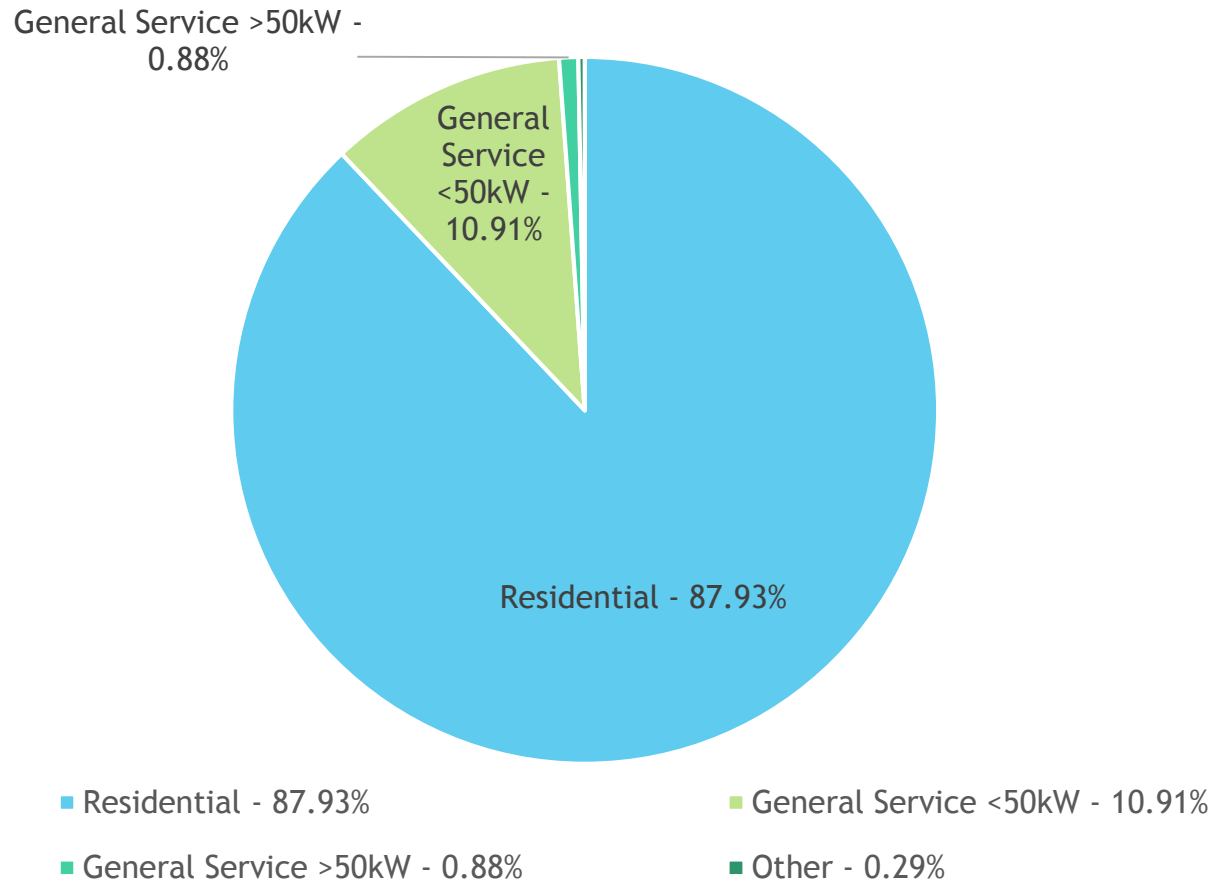
2018 Cost of Service
Application Presentation

Westario Service Area

- ▶ Clifford
- ▶ Elmwood
- ▶ Hanover
- ▶ Harriston
- ▶ Kincardine
- ▶ Lucknow
- ▶ Mildmay
- ▶ Neustadt
- ▶ Palmerston
- ▶ Port Elgin
- ▶ Ripley
- ▶ Southampton
- ▶ Teeswater
- ▶ Walkerton
- ▶ Wingham



Westario Customer Base



- 2018 Projected Customer Base = 23,639
- Other category includes Unmetered Scattered Load, Sentinel Light, and Street Light Customers
- Load provided by Hydro One

Westario Ownership

- ▶ WPI is 90% owned by the local communities and municipalities that it serves
- ▶ Over the past 3 years WPI has invested \$1,935,000 in the local communities and municipalities that it serves in the form of dividends

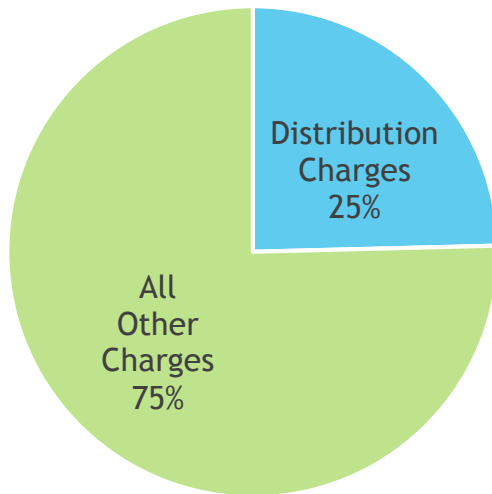
Proposed Bill Impacts

Rate Class	Units	Usage	WPI Distribution Revenue Increases from 2017 Rates		WPI Total Bill Increases from 2017 Rates	
			\$	%	\$	%
Residential*	kWh	750	\$2.78	10.59%	\$6.03	5.39%
GS < 50kW	kWh	2047	\$5.12	10.60%	\$13.43	4.61%
GS > 50kW	kW	175	\$118.66	19.33%	\$538.41	6.53%
USL	kWh	405	\$1.74	10.85%	\$4.19	6.44%
Sentinel Lighting	kW	0.28	\$3.36	19.15%	\$4.52	10.10%
Street Lighting	kW	50.48	-\$690.07	-18.99%	-\$617.67	-10.45%

* Of Westario's approximately 20,000 residential customers the average monthly consumption per year is 744kWh
Residential customers make up approximately 88% of Westario Power's customer base

Residential Bill Impact Analysis

Bill Breakdown



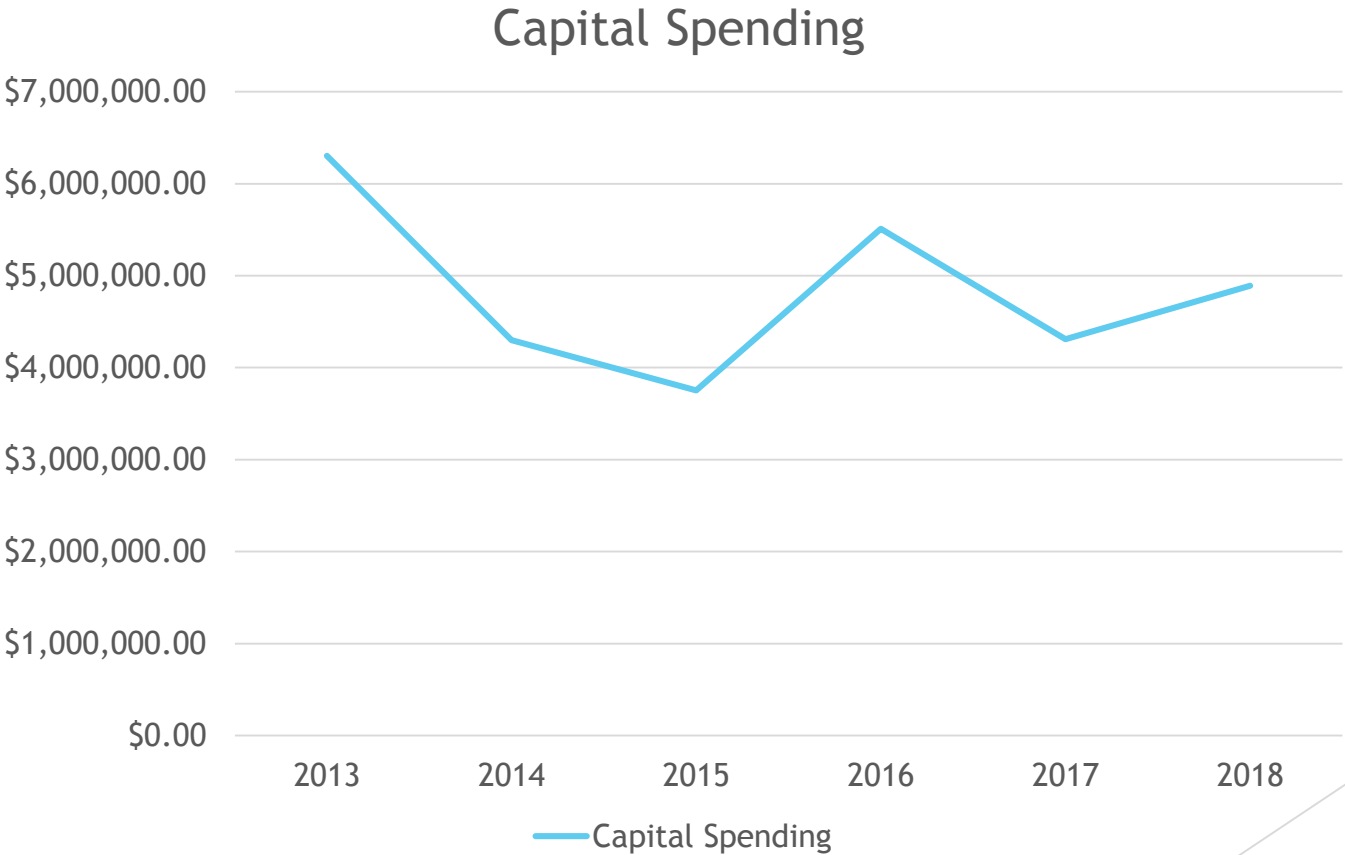
■ Distribution Charges ■ All Other Charges

Bill Line Items	2017	2018	\$ Change
Monthly Service Charge	\$20.06	\$24.41	\$4.35
Distribution Volumetric Rate	\$6.15	\$4.58	-\$1.58
Total Distribution Charges	\$26.21	\$28.99	\$2.78
Delivery Charges ^{1*}	\$15.27	\$18.23	\$2.96
Regulatory Charges ^{2*}	\$3.38	\$3.38	-
Cost of Energy Charges ^{3*}	\$61.62	\$61.62	-
HST	\$5.32	\$5.61	\$0.29
Total Bill on TOU	\$111.80	\$117.83	\$6.03

1. Includes the costs of delivering electricity from generating stations across the province to Westario
 2. Includes the costs of administering the wholesale electricity system and maintaining reliability of the provincial grid
 3. Cost of electricity supplied to you during the billing period
- * These charges are collected by Westario and paid to our suppliers

Capital Spending

	2013	2014	2015	2016	2017	2018	6 Year Avg.
Total Capital Expenditure	\$6,897,841	\$4,327,200	\$3,865,698	\$5,385,500	\$4,309,446	\$4,891,244	\$4,946,155

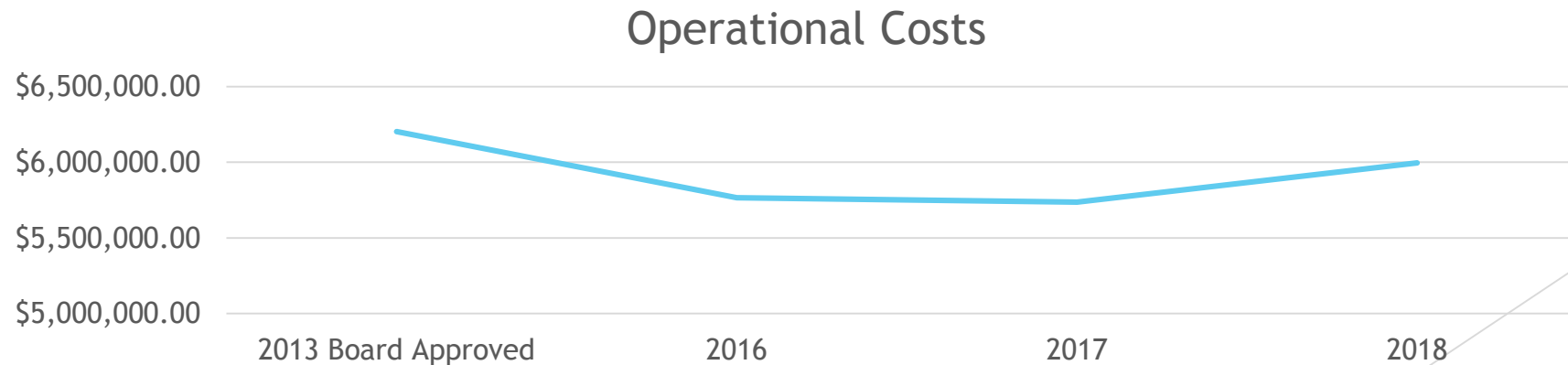


Capital Plan - 2018 Major Projects

- ▶ Service Connection- Allow system expansion to connect new customers. **\$643K**
- ▶ Transformer Replacement - **\$307K**
- ▶ Poletran - Replace aged poletrains which no longer meet operational codes due to electrical clearance requirements. **\$463K**
- ▶ Substation Upgrade - Upgrade Hanover substation that is currently at high load and high risk of failure. **\$1.31M**
- ▶ #6 Copper Replacement - Replace #6 copper wire to eliminate potential safety and reliability risk. **\$371K**
- ▶ Decrepit Pole Replacement - Replace 100 poles and transformers that are at high risk of failure. **\$780K**
- ▶ Vehicle Replacement - Replace 2005 bucket truck, 1999 dump truck, and 2 2008 pick-up trucks that are at the end of their useful lives. **\$500K**
- ▶ Technology upgrades, Tools and office equipment- **\$135K**
- ▶ System Monitoring Upgrades - **\$382K**

Operational Costs

	2013 OEB Approved	2016	2017	2018
Operations and Maintenance	\$2,738,000	\$2,111,080	\$1,980,836	\$1,967,533
Billing and Collecting	\$1,191,000	\$1,043,796	\$1,130,000	\$1,202,000
Community Relations	\$46,000	\$29,681	\$30,000	\$31,000
General and Administrative	\$2,194,200	\$2,547,440	\$2,561,000	\$2,760,500
Property Tax	\$33,000	\$34,097	\$35,000	\$35,000
Total	\$6,202,200	\$5,766,094	\$5,736,836	\$5,996,033



Major Drivers of Operating Costs

- ▶ **Operations and Maintenance**
 - ▶ Costs are determined by the amount of inspections and repairs required to be performed on the Distribution System.
 - ▶ Inspections are planned in order to address the most critical parts of the system.
- ▶ **Billing and Collecting**
 - ▶ Costs associated with generating and mailing bills and collections notices.
 - ▶ Costs include billing and collecting clerks wages, postage, stationary, bad debts, and collections charges.
- ▶ **Community Relations**
 - ▶ Community Safety programs, sponsorships of local clubs and events, customer informational expenses.
- ▶ **General and Administrative**
 - ▶ Costs include; Insurance, regulatory costs, maintenance and utilities of facilities, consultant costs, IT costs, office supplies and expenses, wages and salaries of management and administrative staff.

OEB Benchmarking

The OEB benchmarking model determines the cost efficiency of distributors based on econometrics. The model factors in conditions such as the number of customers served, delivery volume, km's of circuit, and peak demand to determine the predicted costs of running the utility for a year.

Year	Actual/Projected Costs	OEB Predicted Costs	\$ Difference	% Difference	OEB PEG Score
2015	12,627,249	13,407,371	-\$780,122	-6.0%	3
2016	12,861,750	13,175,951	-\$314,201	-2.4%	3
2017	13,052,326	13,807,117	-\$754,791	-5.6%	3
2018	13,605,815	14,407,521	-\$801,707	-5.7%	3

- Utilities are assigned an efficiency grouping between 1 and 5. 5 being the least efficient grouping.

Reasons for Rate Increase

- ▶ The distribution system is aging and a long term proactive replacement plan is necessary in order to reduce the risk of more frequent major repairs and the greater costs associated with them.
- ▶ The system requires more frequent inspections and maintenance in order to reduce the risk of chronic outages and outages of longer duration.
- ▶ Parts of the distribution system are obsolete and have a greater risk of critical failure potentially causing unsafe conditions.

2017 Customer Engagement Survey Results

- ▶ 81% Provides info and tools to help manage consumption
- ▶ 85% Provide excellent quality services
- ▶ 89% Standard of reliability meets expectations
- ▶ 88% Delivers on its service commitments

The following customer engagement results were prepared by UtilityPULSE, a third party survey service with extensive industry experience.

	WPI	National	Ontario
Customer satisfaction	92%	87%	81%
Quickly handles outages and restores power	89%	87%	85%
Spends money prudently	80%	71%	66%
Provides good value for money	76%	62%	57%

2017 Fair Hydro Plan Impact

Bill Line Items	2017 Bill Without Fair Hydro Plan	2017 Bill With Fair Hydro Plan	\$ Change
Monthly Service Charge	\$20.06	\$20.06	\$-
Distribution Volumetric Rate	\$6.15	\$6.15	\$-
Total Distribution Charges	\$26.21	\$26.21	\$-
Delivery Charges	\$16.07	\$15.27	-\$0.80
Regulatory Charges	\$4.82	\$3.38	-\$1.44
Cost of Energy Charges	\$73.14	\$61.62	-\$11.52
HST	\$15.63	\$5.32	-\$10.31
Total Bill on TOU	\$135.87	\$111.80	-\$24.07

* Numbers reflect final Fair Hydro Plan adjustment for July 1, 2017 for a 750kWh TOU residential customer

Fair Hydro Plan - Your Bill

Bill of a 750kWh Residential TOU Customer

2017 Bill Before Fair Hydro Plan	2017 Bill After Fair Hydro Plan	2018 Bill
\$135.87	\$111.80	\$117.83

How to Reach Westario

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- ▶ www.westario.com
- ▶ Follow us on Twitter @Westario
- ▶ Like us on Facebook

Any Questions?

Thank you for attending!