

CONTINUING EXCELLENCE THROUGH RELIABILITY, INNOVATION AND PERFORMANCE

Veridian and its customers benefitted from another strong performance in 2017; the culmination of a longer term focus on continuous improvement in key areas of its business operations. The company and its employees are extremely proud of the benefits that these efforts have brought to customers and shareholders.

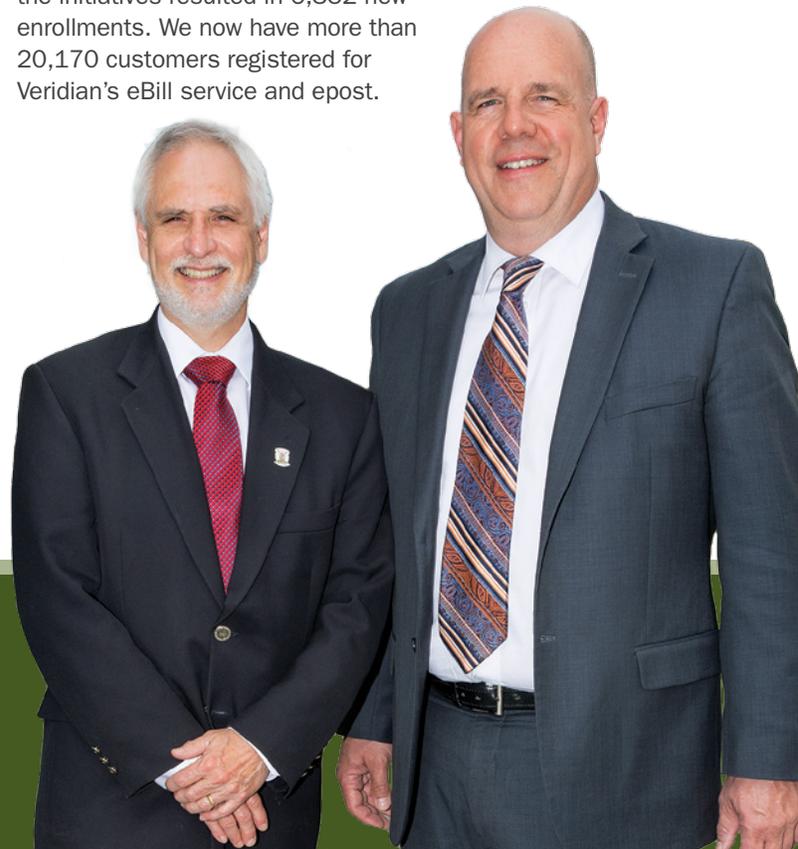
We are very pleased that 2017 was another great year for financial results and solid fiscal management at Veridian. Distribution revenue increased slightly to \$52.8 million, a total of \$8.09 million in dividends and interest payments was paid to our four shareholder communities, and our record of managing costs in line with the industry inflation rate was maintained. This was an impressive accomplishment considering the challenges of regulatory requirements and the extension of additional customer service offerings.

Our efforts to improve system reliability yielded positive results, with ongoing and sustained improvements in outage duration and frequency. This success can largely be attributed to our capital programs focused on system renewal, investments in automation devices and ongoing preventive maintenance. We're also receiving positive feedback on our outage notification service known as "my.alerts". More than 1,900 customers are registered for the service that sends users outage information and updates through any combination of email, text message and voicemail.

Results from our customer satisfaction survey show that we continue to provide excellent customer service, scoring 91 per cent overall – 15 per cent higher than the provincial benchmark and five per cent higher than the national average. Veridian's commitment to customer service excellence and exceeding customers' expectations with every interaction has positioned the company well with its customers during a period of industry-wide decreasing satisfaction due to rising electricity costs. Additionally, Veridian's dedicated cross-functional customer service team has been instrumental in improving the customer service experience throughout the company.

The health, safety and well-being of our employees and the public have long been a key foundation of our business. In 2017, we achieved 1.9 million hours without a lost-time injury – a remarkable achievement given that our linepersons and outside staff work in some very dangerous situations and severe weather conditions. The company also continued in its preparation to achieve the Infrastructure Health & Safety Association's Certificate of Recognition (COR) – the most recognized and highest safety accreditation presently available in Ontario, and new programs were put in place for enhanced analysis of identified hazards and to facilitate reporting of incidents.

In an effort to reduce our impact on the environment and increase the number of customers receiving paperless bills, we rolled out two campaigns. The first offered a one-time \$5 bill credit for new sign-ups. The second offered three chances to win free electricity for one year. Coupled together, the initiatives resulted in 6,352 new enrollments. We now have more than 20,170 customers registered for Veridian's eBill service and epost.



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Preparation to service the City of Pickering's Seaton community development continued to be a high-priority, multi-year project for our Planning team. An Environmental Assessment continues in progress to finalize the transformer site that will serve the burgeoning community. It's anticipated the transformer station will be in service by Q1/Q2 2020.

Our commitment to environmental sustainability and earth-friendly business practices continues to be recognized. We maintained our Gold status with the Smart Commute Durham Workplace program for promoting and supporting sustainable travel options for our employees. We were also named one of Canada's Greenest Employers for an eighth consecutive year. This special designation recognizes the employers that are leading the nation in creating a culture of environmental awareness.

We're helping modernize Ontario's electricity distribution grids by developing a community residential microgrid with leading software engineering and solutions company Opus One Solutions and property developer Marshall Homes. The microgrid operation, being funded by Ontario's Smart Grid Fund, will use the GridOS platform to integrate various distributed energy resources (DERs), including Tesla Powerwall storage systems and residential solar generation, in order to improve reliability, resiliency and the efficient use of shared DERs for customers.

Our Conservation Team continued their efforts in delivering the Independent Electricity System Operator's Save on Energy programs to Veridian's residential and business customers. Residential programs, rebates and resources are helping homeowners manage their electricity use, while business programs are helping small retail stores to large industrial complexes implement energy saving initiatives while reduced their operating costs. From 2015 to 2017, halfway through the six-year *Conservation First Framework*, Veridian has achieved 81 GWh of net energy savings. This represents 53 per cent of our 2020 target

Veridian is more than an electricity distributor – it's a dedicated partner that is committed to participating in the communities it serves. The company's Employee Payroll Deduction program, together with our annual golf tournament, raised more than \$60,000 for the United Way and its Backpack program, Grandview Children's Centre, Special Olympics Ontario and ALS Society of Canada. Our employees are also company ambassadors – volunteering their time and efforts to some very worthwhile causes and charities.

Our potential merger with Whitby Hydro Energy Corporation was a major focus for us in 2017, and we're very excited at where we are in the process. Earlier this year, both the Veridian and Whitby Hydro corporate boards agreed that a merger would provide benefits to our customers and shareholders, and recommended shareholders approve the proposed merger. Both parties are now seeking approval of our municipal councils, after which – subject to the municipal shareholders approvals – an application will be submitted to the Ontario Energy Board for regulatory review and approval. If approved, we anticipate completing the transaction by late 2018 or early 2019. The combined utility company would service more than 162,000 residential and business customers and would become the fourth largest municipally owned electric utility in Ontario.

Through the leadership of the Veridian Board and shareholders, and the ongoing commitment to job excellence by our executive management team and staff, Veridian is well positioned to continue its track record of strong financial and operational performance.



Adrian Foster
Chair



Michael Angemeer, P.Eng.
President & CEO