

**JOINT LETTER FROM THE
CHAIR AND PRESIDENT & CEO**

DRIVING OPERATIONAL EXCELLENCE THROUGH CONTINUOUS IMPROVEMENT

Veridian and its customers benefited from exceptional overall performance in 2016. The performance was the culmination of a longer term focus on continuous improvement in key areas of its business operations. Veridian and its employees are rightfully proud of the benefits that these efforts have brought to customers and shareholders.



We are extremely pleased that 2016 was another great year for financial results and solid fiscal management at Veridian. Distribution revenue remained steady at \$52 million, a total of \$7.73 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 – an impressive accomplishment considering the challenges of new 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. We also added another channel for customers to get outage information with the launch of a comprehensive outage notification system known as “my.alerts”. The new system sends registered users outage information and updates through any combination of email, text message and voicemail.

“The hard work of our amazing employees and their ongoing commitment to our business operations culminated in Veridian receiving the LDC Performance Excellence Award.”

Results from our most recent customer satisfaction survey shows that we continue to provide excellent customer service, scoring 91 per cent overall –

15 per cent higher than the provincial average and five per cent higher than the national average. To ensure it remains second-to-none, we launched the “my.customers” initiative; a company-wide campaign that reinforces our commitment to customer service excellence and exceeding customers’ expectations with every interaction.

The health, safety and well-being of our employees and the public has long been a key foundation of our business. Last year we celebrated 1.5 million hours without a lost-time injury – a remarkable achievement given that our lineworkers and outside

staff work in some very dangerous situations and severe weather conditions. There’s nothing more important than our staff returning home safe and healthy at the end of a work day.

We launched an innovative microgrid pilot project with Opus One Solutions. The pilot features a state-of-the-art solar carport with electric vehicle charging stations and Tesla Powerwalls that provide backup power supply for part of our Ajax headquarters building during outages. The final phase will see the deployment of residential microgrids involving homebuilders – managed and operated by Veridian’s 24/7 System Control Centre and controlled by Opus One’s GridOS® Microgrid Energy Management System. The project will begin developing what will be required to allow the electricity grid and new customer devices to work together for the maximum benefit of the customer and the utility.

Servicing the City of Pickering’s Seaton community development continued to be a high priority, multi-year project, for our Engineering team. Through the development and approval of a detailed business case it was determined that Veridian will build the transformer station that will serve the burgeoning community. An Environment Assessment is being completed to evaluate and determine a preferred location for the station and the associated transmission connection.

Our commitment to environmental sustainability and earth-friendly business practices continues to be recognized. We advanced from Silver to Gold status within the Smart Commute Workplace Program for promoting and supporting sustainable travel options for our employees. Also, we celebrated Earth Day as one of Canada’s Greenest Employers for a seventh consecutive year. This special designation recognizes employers that lead the nation in creating a culture of environmental awareness in their organizations.

We were thrilled to learn that we were shortlisted by the Governance Professionals of Canada for “Best practices in strategic planning, oversight and value creation by the board.” The nomination speaks volumes to the corporate structure we have in place, and the strong and effective governance our Board members provide.

While we may be a large utility in terms of the number of communities we serve, our values have always been locally based. For example, we marked our first ten years of service in Gravenhurst with a three-year lead sponsorship for the

community’s Dockside Festival of the Arts. Our annual charity golf tournament raised \$18,500 for Hearth Place Cancer Support Centre, Special Olympics Ontario and the United Way’s Backpack Program, and our employees continue to participate in various fundraising initiatives and answer the call for food bank donations and Christmas gifts for families less fortunate

Our proposed merger discussions with Oshawa Power and Utilities Corporation and Whitby Hydro Electric Corporation made good progress thru 2016, but we were disappointed to see Oshawa PUC amicably withdraw from the merger discussions earlier this year. In saying this, both Veridian and Whitby Hydro will be moving forward and are committed to ongoing evaluations. We both stand behind the potential merits of the merger, including its ability to deliver greater value to customers and all shareholders through innovation, efficiency and collaboration. Thank you to the Steering Committee for your insights and guidance, and seeing us through this very complex journey.

Finally, the hard work of our amazing employees and their ongoing commitment to our business operations culminated in Veridian receiving the LDC Performance Excellence Award at the Electricity Distributors Association’s annual Awards Gala held earlier this year in Toronto. The award is presented to a local electricity distribution member of the EDA which has distinguished itself among its peers by performance excellence in a number of key areas during 2016.

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



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CORPORATION