

# Scorecard - Veridian Connections Inc.

9/24/2014

Performance Outcomes	Performance Categories	Measures	2009	2010	2011	2012	2013	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	99.20%	100.00%	100.00%	100.00%	100.00%		90.00%		
		Scheduled Appointments Met On Time	97.90%	98.20%	100.00%	99.90%	100.00%		90.00%		
		Telephone Calls Answered On Time	74.10%	83.90%	64.60%	57.60%	61.40%		65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution								76.8%	
		Billing Accuracy								99.9%	
		Customer Satisfaction Survey Results								93%	
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Public Safety [measure to be determined]									
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted	2.20	0.77	1.77	1.19	18.21			at least within 0.77 - 2.20	
		Average Number of Times that Power to a Customer is Interrupted	1.78	1.14	2.05	2.07	2.80			at least within 1.14 - 2.07	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress					76.0%				
	<b>Cost Control</b>	Efficiency Assessment					3			3	
		Total Cost per Customer <sup>1</sup>	\$495	\$512	\$526	\$553	\$529				
Total Cost per Km of Line <sup>1</sup>		\$25,002	\$25,065	\$24,828	\$25,087	\$23,757					
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Conservation &amp; Demand Management</b>	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>			11.00%	15.00%	21.80%			29.05MW	
		Net Cumulative Energy Savings (Percent of target achieved)			32.00%	53.00%	69.00%			115.74GWh	
	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time		50.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time					100.00%			90.00%	
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.27	1.07	1.13	1.25	1.14				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.20	1.29	1.52	1.54	1.37				
		Profitability: Regulatory Return on Equity			Deemed (included in rates)	9.85%	9.85%	9.85%			
					Achieved	8.01%	8.60%	12.39%			

**Legend:**

- up
- down
- flat
- target met
- target not met

**Notes:**

1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information.

2. The Conservation & Demand Management net annual peak demand savings do not include any persisting peak demand savings from the previous years.

## Management Discussion and Analysis for Year 2013

### Service Quality

#### NEW RESIDENTIAL/SMALL BUSINESS SERVICES CONNECTED ON TIME

Veridian consistently connects new services on time.

#### SCHEDULED APPOINTMENT MET ON TIME

Veridian has improved over the time horizon and now consistently meets scheduled appointments with customers on time.

#### TELEPHONE CALLS ANSWERED ON TIME

In recent years Veridian has struggled with meeting the OEB service target level of 65% of the calls answered within 30 seconds. Structural, operational and technological changes undertaken in June of 2014, have shown promising results and we are hopeful that the metric will be met on a consistent basis going forward.

### Customer Satisfaction

#### FIRST CONTACT RESOLUTION

Veridian has focused its staff on providing first contact resolution to any questions and concerns addressed by its customer base. Ongoing training and development efforts will continue to focus on improving the level of first contact resolution.

#### BILLING ACCURACY

Controls and processes have been put in place to ensure customer bills are produced in a timely accurate manner. Veridian consistently scores as a top performer in this category.

#### CUSTOMER SATISFACTION SURVEY RESULTS

Each year Veridian has an independent third party conduct a customer satisfaction survey. Many of Ontario's other local distribution companies also participate. Veridian consistently scores as a top performer in these surveys.

### Safety

### System Reliability

Veridian experienced a significant increase in SAIDI and SAIFI during 2013 as a result of two significant weather events; a severe wind storm in Gravenhurst during July and a severe ice storm in Pickering, Ajax, Clarington and Port Hope during December. The Gravenhurst storm affected approximately 6,000 customers and the December ice storm affected approximately 60,000 of Veridian's customers. If these severe weather events are not considered, Veridian's SAIDI would be 1.556 and SAIFI would be 2.034. With the 2013 severe weather events excluded, Veridian's SAIDI has been trending in an improved manner, when analyzed over the past 5 year period.

The severe storm events described above has provided Veridian with an opportunity to review its practices with regards to a number of systems and to make improvements that will have a positive effect on reliability. For example, Veridian's construction standards are being reviewed to improve resiliency to severe weather, back-up power supplies are being enhanced to improve remote operating time for automated distribution system components, enhanced tree trimming practices are being enacted and investments in technology that will provide Veridian an improved level of situational awareness during large scale power outages is occurring.

Veridian continues to view reliability of electricity service as a high priority for its customers and as such developed a program several years ago for the continuous improvement of reliability. The program includes a constant review of reliability within the 24/7 control center and an immediate response plan for any areas of the distribution system experiencing a degradation in reliability. This, combined with an Executive commitment to review the worst performing feeders on a quarterly basis for the opportunity to improve reliability, will ensure customers continue to receive high value from their electricity service.

### Asset Management

#### DISTRIBUTION SYSTEM PLAN IMPLEMENTATION PROGRESS

The Distribution System Plan Implementation Progress is calculated as follows:

$$=(\text{total Capital Expenditures including Work In Progress net of Contributions In Aid of Construction})/(\text{Capital budget for 2013 net of Contributions In Aid of Construction})$$

$$=\$19,936,964/\$26,232,187$$

=76.00%

Veridian's 2013 capital expenditure plans included a major substation rebuild at \$2.25M and Long Term Load Transfer (LTLT) eliminations at \$740k. Both projects were planned to be in service by 2013 year end. The substation project completion was delayed due to technical difficulties with ground conditions and a period of extreme cold weather at year end which hampered construction and commissioning work. The LTLT projects were 95% constructed but delays in receiving third party approvals for Highway #401 and railway crossings prevented the last single spans of construction required to connect and place in service. Both projects were completed and placed in service in early 2014.

Project reviews are completed on an ongoing basis in an effort to continually identify and improve on project planning factors which impact deliverables such as completing capital projects in the most cost effective manner as well as meeting the project planned schedule.

### **Cost Control**

#### **EFFICIENCY ASSESSMENT**

Veridian's efficiency assessment ranking remained unchanged at 3 as actual total cost performance remained within 10% of the predicted cost performance.

#### **TOTAL COST PER CUSTOMER AND TOTAL COST PER KM OF LINE**

Veridian is focused on constant improvements in cost and value in delivering services to its customers. In 2013, performance in both cost measurements improved over 2012 levels.

### **Conservation & Demand Management**

During 2013, Veridian continued to pursue its energy and demand savings targets by fully leveraging the entire suite of Ontario Power Authority ("OPA") province-wide CDM programs. An increased emphasis was placed on supporting the conservation efforts of large commercial, industrial and institutional customers. Three new full time energy managers were retained to identify and pursue opportunities with these sectors.

A significant amount of CDM potential within the business operations of Veridian's largest customers was lost during the year, as evidenced by a decline in the number of customer accounts classified as Large Use (>5 MWs). The number of accounts in this class declined from four to two during the year, with one of the reductions due to the complete closure of a large manufacturing facility.

### **Connection of Renewable Generation**

Veridian is a proud supporter of renewable generation and endeavors to have all renewable generation connected to its grid in a timely manner. In 2013 all renewable generation connection impact assessments were completed on time, and all micro-embedded generation facilities were connected on time.

### **Financial Ratios**

#### **LIQUIDITY**

Veridian maintains a strong current ratio of generally above 1.10 to ensure its ability to meet its short term debt obligations.

#### **LEVERAGE**

Veridian maintains a total debt to equity ratio lower or at the deemed ratio as set by the OEB. In 2013 this ratio was slightly lower than the past two-year average.

#### **PROFITABILITY**

The reported Return on Equity ("ROE") result of 12.39%, higher than the deemed level of 9.85%. The favourable results over deemed were due largely to the recognition of an unrealized gain on a financial instrument. Once normalized for this non-operating item, Veridian's ROE was 8.1% or 1.77% below the deemed level. For Veridian, 2013 is the last year of a four year Incentive Regulation period and ROE results below deemed levels are not uncommon. ROE levels are expected to return to deemed levels in 2014 with Veridian's periodic rate rebasing.