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<tbody>
<tr>
<td>Customer Focus</td>
<td>Service Quality</td>
<td>New Residential/Small Business Services Connected on Time</td>
<td>99.80%</td>
<td>99.90%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
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<td>90.00%</td>
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<td></td>
<td></td>
<td>Scheduled Appointments Met On Time</td>
<td>98.90%</td>
<td>98.60%</td>
<td>99.00%</td>
<td>97.10%</td>
<td>83.90%</td>
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<td>90.00%</td>
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<td></td>
<td></td>
<td>Telephone Calls Answered On Time</td>
<td>80.00%</td>
<td>92.90%</td>
<td>80.00%</td>
<td>83.70%</td>
<td>87.70%</td>
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<td>65.00%</td>
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<td></td>
<td>Customer Satisfaction</td>
<td>First Contact Resolution</td>
<td></td>
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<td></td>
<td>100%</td>
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<td>Billing Accuracy</td>
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<td>99.89%</td>
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<td></td>
<td>Customer Satisfaction Survey Results</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>96%</td>
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<tr>
<td>Operational Effectiveness</td>
<td>Safety</td>
<td>Level of Public awareness [measure to be determined]</td>
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<td></td>
<td>Level of Compliance with Ontario Regulation 22/04</td>
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<td></td>
<td>Serious Electrical Incident Index</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
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<tr>
<td>System Reliability</td>
<td>Asset Management</td>
<td>Average Number of Hours that Power to a Customer is Interrupted</td>
<td>0.33</td>
<td>1.70</td>
<td>0.31</td>
<td>2.21</td>
<td>0.52</td>
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<td></td>
<td>Average Number of Times that Power to a Customer is Interrupted</td>
<td>0.75</td>
<td>1.51</td>
<td>1.49</td>
<td>3.38</td>
<td>1.05</td>
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<td></td>
<td>Public Policy Responsiveness</td>
<td>Conservation &amp; Demand Management</td>
<td></td>
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<td></td>
<td></td>
<td>Net Annual Peak Demand Savings (Percent of target achieved)</td>
<td>20.12%</td>
<td>47.60%</td>
<td>77.65%</td>
<td>119.79%</td>
<td>164.56%</td>
<td></td>
<td>16.71MW</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Net Cumulative Energy Savings (Percent of target achieved)</td>
<td>72.19%</td>
<td>106.82%</td>
<td>127.39%</td>
<td>147.60%</td>
<td>164.56%</td>
<td></td>
<td>79.53GWh</td>
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<td>Connection of Renewable Generation</td>
<td>Renewable Generation Connection Impact Assessments Completed On Time</td>
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<td></td>
<td>New Micro-embedded Generation Facilities Connected On Time</td>
<td></td>
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<td></td>
<td></td>
<td>100.00%</td>
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<tr>
<td></td>
<td>Financial Performance</td>
<td>Financial Ratios</td>
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<td>Liquidity: Current Ratio (Current Assets/Current Liabilities)</td>
<td>3.00</td>
<td>1.97</td>
<td>1.64</td>
<td>1.33</td>
<td>1.12</td>
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<td>Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio</td>
<td>1.38</td>
<td>1.10</td>
<td>1.13</td>
<td>1.04</td>
<td>1.03</td>
<td></td>
<td></td>
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<tr>
<td></td>
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<td>Profitability: Regulatory Return on Equity</td>
<td>8.57%</td>
<td>9.42%</td>
<td>9.42%</td>
<td>9.42%</td>
<td>9.42%</td>
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<td>Achieved (included in rates)</td>
<td>8.41%</td>
<td>7.50%</td>
<td>7.29%</td>
<td>12.48%</td>
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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 include any persisting peak demand savings from the previous years.
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 2014 Scorecard MD&A:

In 2014, Guelph Hydro Electric Systems Inc. (“GHESI” or “Guelph Hydro”) exceeded all performance targets with the exception of two measures: Scheduled Appointments Met on Time and Compliance with Ontario Regulation 22/04. Further explanation on how the company performed with respect to all the measures is provided in the ensuing material.

With the exception of the above-noted metrics, from a performance standpoint, GHESI had an excellent year. The company met or did better on the other performance measures that are set by the Ontario Energy Board. In 2014, GHESI also introduced new tools that will allow its customers to better view and manage their electricity consumption, and the company continues to enhance its Customer Care and Billing system so as to provide more real-time data to its customers.

As evidenced by the Reliability measures, GHESI continued to provide distribution services to its customers with a very high level of reliability in 2014, and as the financial measures show, GHESI continues to be a stable and financially strong distribution company in Ontario.

In 2015 and beyond, GHESI is committed to doing better than the OEB-set performance measures and is committed to improving on the measures on which it fell short in 2014 or in previous years. The performance improvements are expected because of GHESI’s unwavering focus on making the necessary investments that will permit its employees to operate the distribution company with a high level of reliability and by responding to excellent customer feedback on the types of improvements that they expect from the company.
Service Quality

- **New Residential/Small Business Services Connected on Time**
  - Over the 2010 to 2014 period, Guelph Hydro connected, on average, 99.94% of new Residential and Small Business customers on time. This is above the industry standard of 90% for all Local Distribution Companies (“LDCs”) in Ontario. Guelph Hydro was able to achieve this excellent result due to efficient connection procedures and a focus on providing excellent customer connection service.

- **Scheduled Appointments Met On Time**
  - From 2010 to 2013 Guelph Hydro’s experience with meeting Scheduled Appointments Met on Time was above the industry target of 90% mainly because of a continued commitment to Guelph Hydro’s customers and Guelph Hydro’s process for completing appointments within a five-day window. Guelph Hydro offers its customers appointment scheduling within a three-hour window, and the utility strives to meet this scheduling window.
  - In 2014, Guelph Hydro did not meet the industry target of 90% of Appointments Met on Time due to issues related to Locate-appointments. Locates refers to the need to properly identify and locate electrical equipment (or equipment installed by other utilities) that is not visible to contractors or to the public prior to work on new infrastructure commencing in a safe manner. Typically this equipment is buried and requires the use of special equipment by qualified personnel to identify. Guelph Hydro experienced a larger than normal volume of Locate requests, particularly in April and May 2014, with a 30% increase in Locate requests in May 2014 alone. This posed a challenge to Guelph Hydro’s contractors who were unable to complete the scheduled Locates within the five-day allowance. In addition to the increase in Locate requests, Guelph Hydro had also transitioned to a new Locate contractor in April 2014 which further added to the challenges and the lower than average response time as the new contractor was not as familiar with GHESI’s practices. In time, though, Guelph Hydro was able to resolve this matter by educating the new contractor on Guelph Hydro’s requirements and practices. Specifically, Guelph Hydro met with its Locate contractor on a regular basis to resolve any issues and continually monitored the contractor’s performance. Guelph Hydro will continue to monitor this performance metric and take the necessary actions to meet the requirement.

- **Telephone Calls Answered On Time**
  - Guelph Hydro’s Customer Engagement Strategy is informed by monitoring Guelph Hydro’s overall customer service experience. Calls answered within 30 seconds improved from 83.70% in 2013 to 87.70% in 2014.
  - By studying phone system and website metrics Guelph Hydro was able to determine trends in customer behaviour. These analytics
indicated that peak call volumes in the spring and fall of each year occur due to the large number of university students moving in and out of Guelph, and that the web pages visited most frequently were related to residential accounts and billing, and move-in, move-out service requests. Guelph Hydro determined that this class of customers would be better serviced by “low-touch” (i.e., minimal contact with customer service representatives in the utility) or “self-directed” customer service solutions. In 2014, Guelph Hydro initiated the use of online forms for move-in, move-out requests. These forms are available 24-hours-a-day, seven-days-a-week and have proved to be very popular.

- Guelph Hydro also introduced an online chat function on its website and enhanced the information and programs provided to customers. For example, Guelph Hydro’s new “Welcome Package” email explains security deposits, billing schedules and payment options and provides helpful links and tips for water and electricity conservation. A “High Bill Analysis” program provides customers with a comprehensive assessment of their electricity consumption along with tools that customers can use to help manage their electricity use.

- The availability of online tools and enhanced information packages has resulted in fewer routine requests coming in by telephone to the Customer Service Department. This enables customer service representatives to spend more time on the telephone with customers dealing with more complex calls, such as high-bill enquiries.
Customer Satisfaction

- First Contact Resolution

  - When customers contact Guelph Hydro, they prefer to have their issue resolved with only one call. For this reason, Guelph Hydro tracks First Contact Resolution (“FCR”). First contact resolution is defined by GHESI to mean properly addressing the customers need the first time they call, thereby eliminating the need for the customer to follow up with a second call.

  - As with other Customer Service Department metrics, one of the main advantages of tracking FCR is to help measure the effectiveness of new initiatives. When implementing a new procedure or initiative, a baseline can be established by measuring FCR. This baseline can then be compared to subsequent measurements taken after the procedural change, training or coaching. If an improvement in FCR is observed, progress can be tracked; if not, the training or procedure may need to be revisited and amended as necessary.

  - In April 2014 Guelph Hydro made changes to its Customer Inquiry System (“CIS”) to start tracking First Contact Resolution by using call notes within the CIS. By using special codes the customer service representatives (“CSR”) can query the call-type on a monthly basis. CSRs are educated with strict criteria for what 2nd or 3rd calls may encompass. For example, if a call is a high-bill (call note HB) and the customer calls back about the same issue in the same billing period, CSRs code it 2ND. These call notes also are used for any query from a customer that was not resolved.

  - Guelph Hydro achieved 100% first contact resolution at the end of 2014, and 95% of the customers who participated in the VOICE survey rated their Guelph Hydro customer service experience as “exceptional”.

- Billing Accuracy

  - Guelph Hydro initiated the tracking and measuring of Billing Accuracy in April 2014 using call-notes and system queries. Any bill adjustment or cancelled bill is coded with a call type Correction (“PCOR”). Guelph Hydro also uses an arrears call type Post Bill Correction/Account (“PCCR”) code for the Credit Department to be notified if the cancelled or adjusted bill is in delinquency status. In addition, any cancelled bill is identified and queried by the Billing Supervisor.

  - Guelph Hydro was able to support a billing accuracy metric of 99.89% for 2014 with the use of call notes and system queries. Guelph Hydro achieved this accuracy rate because of the efforts of its billing staff and through continuous improvement of its billing processes.
• **Customer Satisfaction Survey Results**

  • Active engagement with customers helps Guelph Hydro to understand its customers’ preferences and determine how the organization needs to shift in order to deliver services that align with its customers’ needs.

  • Guelph Hydro is committed to customer satisfaction and measures its customer satisfaction through periodic customer telephone surveys conducted by third parties as well as via online surveys.

  • The Customer Satisfaction Survey gauges the satisfaction of customers with the quality and timeliness of information they receive as well as the professionalism, attitude and helpfulness of staff. In April 2013, telephone interviews were conducted for the survey with 400 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Guelph Hydro. The sample of telephone numbers was chosen randomly to ensure that each business or residential phone number on the list had an equal chance 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.

  • Results of the 2013 Customer Satisfaction Survey indicated that 96% of the 400 respondents reported ratings of “very” or “fairly” satisfied. This is a three percent increase from the previous customer survey conducted in 2011.

  • As a result of the satisfaction score of 96%, Guelph Hydro was ranked #1 in customer satisfaction among 25 Ontario utilities. Notably, this score was higher than the national and provincial customer satisfaction averages. Results of the survey are posted on the Guelph Hydro website.

  • The survey identified that understanding the new Time-of-Use bill was one of the highest-rated customer concerns. As a result, Guelph Hydro began empowering its Customer Service Representatives (“CSR”) to adopt more of an analytical approach by learning Time-of-Use concepts in billing. Training sessions on the relationship between the Customer Information System (“CIS”) and the Independent Electricity System Operator (IESO)’s Smart Meter Database called the Meter Data Management and Repository System (“MDM/R”) educated the CSRs on the complexities of billing in a smart meter environment compared to a basic meter reading environment. This enhanced knowledge of Guelph Hydro’s CSRs contributed to the high First Contact Resolution with Guelph Hydro customers.

  • Guelph Hydro plans on conducting the next Customer Satisfaction Survey in the spring of 2016.
Safety

• Level of Public Awareness
  
  • This measure is currently under development by the OEB and data is not available for Guelph Hydro to report on for 2014.

• Level of Compliance with Ontario Regulation 22/04
  
  • Audit, Declaration of Compliance, Due Diligence Inspections (“DDI’s”), Public Safety Concerns and Compliance Investigations make up the level of compliance with Ontario Regulation 22/04 (O.Reg. 22/04) component on the scorecard. Guelph Hydro is reviewed by the Electrical Safety Authority (ESA) on all 5 elements, which elements are evaluated as a whole to determine the status of compliance (Non-Compliant (N/C), Needs Improvement (N/I), or Compliant (C)).
  
  • For the 2014 reporting period, Guelph Hydro’s O.Reg. 22/04 audit was conducted for the period between May 1, 2013 and April 30, 2014. The final audit report determined that Guelph Hydro was in non-compliance with respect to records of inspection, where the records of inspections were not always being completed for all types of maintenance performed on the distribution system. Records of inspection were missing for regular maintenance, infrared report repairs and trouble calls. Guelph Hydro has subsequently improved the internal record of inspection process related to the identified maintenance work in order fully comply with Guelph Hydro’s construction verification program in compliance with O.Reg.22/04.
  
  • Included in the 2014 reporting period, 2 Due Diligence Inspections (“DDI’s”) were performed by ESA on Guelph Hydro’s distribution system. Due Diligence Inspections resulted in full compliance with meeting the requirements of the inspections.
  
  • For the 2013 reporting period, Guelph Hydro’s O.Reg. 22/04 audit was conducted for the period between May 1, 2012 and April 30, 2013. The final audit report determined that Guelph Hydro was in non-compliance with respect to records of inspection, where the records of inspections were not completed for all types of maintenance performed on the distribution system. Some maintenance was performed under a yearly maintenance work order with a certificate signed at the year-end. Guelph Hydro has subsequently modified the internal record of inspection process for maintenance work to ensure certificates are being completed in accordance with Guelph Hydro’s construction verification program (“CVP”) in compliance with O.Reg. 22/04.
  
  • Included in the 2013 reporting period, 3 Due Diligence Inspections (“DDI’s”) were performed by ESA on Guelph Hydro’s distribution system. Of the 3 DDI’s performed, ESA noted 2 “needs improvement” items on one of the inspections. The needs improvement items were corrected by Guelph Hydro following the inspection.
• **Serious Electrical Incident Index**
  
  • There have not been any occurrences of serious electrical incidents, as defined by O.Reg. 22/04, in 2014.
System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**
  - The industry target for this performance metric is established as a five-year performance range.
  - In 2013, Guelph Hydro's system reliability statistics for Average Number of Hours that Power to a Customer is Interrupted fell outside Guelph Hydro's five-year target range of 0.21-1.70. Guelph Hydro reviewed the interruption data for 2013 along with data for previous years going back to 2009 in order to determine the root causes for the outages. Based on the data it was evident that Guelph Hydro experienced a higher number of significant events (major event days) in 2013 as compared to previous years, and this caused the statistics to fall outside Guelph Hydro’s normal rate.
  - From its analysis of interruption data, Guelph Hydro determined that in 2013 its distribution system experienced five major event days. In comparison to previous years' major event days [1(2009), 1(2010), 4(2011), 1(2012)], it was clear that the reason for the deterioration in Guelph Hydro’s reliability numbers in 2013 were caused by the number of major events.
  - The major event day calculation was done using an industry standard developed by the IEEE. This standard is 1366-2003, “IEEE Guide for Electric Power Distribution Reliability Indices”. Of the five major event days in 2013, four were directly related to storms which are outside the control of Guelph Hydro. By removing the effects of the four storms from the reliability calculation Guelph Hydro’s reliability statistic would have been 0.60 which is well within the OEB’s performance target.
  - In 2014, Guelph Hydro’s annual system reliability indicators improved markedly compared to 2013, and the metric was well within the target range (0.31-2.21 hours of interruption per customer). Guelph Hydro’s actual system reliability measure was 0.52 hours (or 31.2 minutes) of interruption per customer in 2014.

- **Average Number of Times that Power to a Customer is Interrupted**
  - The industry target is established as a five-year performance range.
  - In 2013, Guelph Hydro’s system reliability statistics for Times that Power to a Customer is Interrupted fell outside Guelph Hydro’s five-year target range of 0.50-1.51. Guelph Hydro reviewed the interruption data for 2013 along with data for previous years going back to 2009 in order to determine the root causes for the outages. Based on the data it was evident that Guelph Hydro experienced a higher number of significant events (major event days) in 2013 as compared to previous years causing the statistics to fall outside Guelph Hydro’s normal rate.
  - From the analysis of the interruption data, Guelph Hydro determined that in 2013 the distribution system alone experienced five major event days, when excluding loss of bulk supply from the analysis. In comparison to previous years’ major event days
[1(2009), 1(2010), 4(2011), 1(2012)], it was clear that the reason for the increase in Guelph Hydro’s reliability numbers in 2013 was caused by a number of major events. The major event day calculation was done using the IEEE 1366-2003, “IEEE Guide for Electric Power Distribution Reliability Indices”.

- Of the five major event days in 2013, four were directly related to storms which are outside the control of Guelph Hydro. By removing the effects of the four storms from the reliability calculation the new statistics would be 1.66.

- In 2014, Guelph Hydro’s annual system reliability indicators improved and were better than target ranges (0.75-3.36 interruptions per customer). This 2014 system reliability measure was 1.05 interruptions per customer. This improvement was largely driven by the lack of major event days in 2014.
Asset Management

- Distribution System Plan Implementation Progress

- As of December 31, 2014, Guelph Hydro’s Distribution System Plan (“DSP”) status was In-Progress, as the DSP was in draft phase. Guelph Hydro included the DSP as part of Guelph Hydro’s 2016 Cost of Service rate application (EB-2015-0073), filed on April 24, 2015.

- This was Guelph Hydro’s first Distribution System Plan filed with the Ontario Energy Board (OEB). Guelph Hydro’s filed DSP has not yet been approved by the OEB. Until such approval, Guelph Hydro’s DSP status will remain In-Progress. The 2014 DSP status does not reflect implementation.
**Cost Control**

### Efficiency Assessment

Cohort/ Group 3 out of 5

- The Ontario Energy Board has adopted an extensive and complex model (called the PEG benchmarking model) to determine the average efficiency performance of distributors to permit meaningful efficiency comparisons between distributors. As of December 31, 2014, Guelph Hydro’s three-year average efficiency performance score, as calculated by the PEG benchmarking model, was at -2.0%. This performance indicated that Guelph Hydro’s cost control performance was better than the average LDC over the previous three-year period. For December 31, 2013, Guelph Hydro’s three-year average performance was +4.3% for about a 6% improvement in average year over year performance versus all other LDCs in Ontario.

- The main contributor to Guelph Hydro’s increase in efficiency assessment was a 5.5% improvement in individual year cost performance in 2014 versus 2013. This improvement was primarily due to a reduction in Guelph Hydro’s intercompany management fees for 2014 due to one-time costs incurred in 2013 related to Corporate tax planning and costs incurred to assess the long-term strategy of the Company with respect to possible mergers and acquisitions.

### Total Cost per Customer

- In 2014, Guelph Hydro’s total cost per customer of $601 decreased compared to 2013, by $7 per customer, primarily due to lower OM&A costs for 2014 as a result of one-time management fees incurred in 2013. The reduction in OM&A costs was partially offset by higher capital costs in 2014 due to a 0.4% increase in cost of capital for the 2014 period. The total cost per customer also decreased slightly as Guelph Hydro’s customer base increased by 1% from 2013.

### Total Cost per Km of Line

- In 2014, Guelph Hydro’s total cost per km of line of $28,683 decreased compared to 2013, by $269 per customer, primarily due to lower OM&A costs for 2014 as a result of one-time management fees incurred in 2013. The total cost per km of line was also reduced due to a 1% addition of km of line from 2013. The reduction in Total cost per km of line was partially offset by higher capital costs in 2014 due to a 0.4% increase in cost of capital for the 2014 period.
Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**
  - Guelph Hydro has a history of excellence in Conservation & Demand Management (CDM) program delivery and results achievement, starting with exceeding each of its annual targets in the 2007-2010 “Every Kilowatt Counts” CDM Tranche. Guelph Hydro’s CDM team supported by its customers have continued this tradition through the 2011-2014 “saveONenergy” CDM Tranche. Guelph Hydro has provided conservation programs to all customer classes with great success, particularly the non-residential sector.
  
  - Guelph Hydro’s 2011-2014 net demand savings target was set at 16.71 MW. In Guelph Hydro’s IESO 2011-2014 Final Verified Results Report the net demand savings achieved was 119.8% of target, or 20.0 MW. Over 80% of the demand savings came from the non-residential sector. Guelph Hydro is one of only 6 LDCs to have exceeded 100% of its demand target in this CDM framework. In comparison, the provincial average demand savings achieved was 69.8% of target.

- **Net Cumulative Energy Savings (Percent of target achieved)**
  
  - Guelph Hydro’s 2011-2014 net cumulative energy savings target was set at 79.53 GWh. In Guelph Hydro’s IESO 2011-2014 Final Verified Results Report the net cumulative energy savings achieved was 164.6% of target, or 130.9 GWh. Guelph Hydro is one of 41 LDCs to have exceeded 100% of its target in this CDM framework, with 79% of its energy savings coming from the non-residential sector. In comparison, the provincial average net energy savings achieved was 109.2%.

  - Guelph Hydro is very pleased with the strength of its CDM team in building relationships with its customers, and more importantly, its customers’ willingness to participate in conservation programs offered in the communities being served. Looking ahead to the 2015-2020 Conservation First Framework, Guelph Hydro notes that the 6-year energy target is effectively double the incremental annual energy target of the 2011-2014 framework. While achieving this target will be challenging, a good groundwork for continued success has been laid over the past 8 years.


### Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**
  - Under the *Green Energy Act*, Guelph Hydro (along with all other distributors in Ontario) has an obligation to enable renewable generation connections into the distribution system. As part of the process to connect generation projects greater than 10kW, a connection impact assessment (CIA) has to be performed to determine the impact of the project to Guelph Hydro’s distribution system. Additionally, the OEB has implemented a performance standard that requires LDCs to carry out a CIA within a prescribed time limit.
  
  - According to Section 25.37 of the *Electricity Act, 1998* and Ontario Regulation 326/09, the utility must complete a CIA for a renewable generator within 60 days and must report to the OEB on how well it met those timelines.
  
  - In 2014, Guelph Hydro achieved 100% for the completion of all renewable generation CIA within the prescribed time limit. Renewable generation in Guelph refers predominantly to solar photo-voltaic generation projects, seeking to generate electricity and inject the output from these generators into Guelph Hydro’s distribution system. As of December 31, 2014, Guelph Hydro had connected a total of 28 Feed-in-Tariff (“FIT”) Projects with a total nameplate capacity of 6.404MW.
  
  - In 2014, there were three Impact Assessments requested, and Guelph Hydro completed all three Renewable Generation CIAs on time.
  
  - In 2013, one CIA was requested which Guelph Hydro completed within the prescribed time limit.
  
  - In 2012, five CIAs were requested, and Guelph Hydro completed all five CIAs, but four within the prescribed time limit.
  
  - Guelph Hydro outsources the CIA work to an engineering consultant. Historically, the reason for any delays was due to the consultant’s workload and unexpected delays associated with getting more information from the customer. Guelph Hydro has now developed and implemented measures to ensure that the CIAs are done within 50 days instead of 60 days and has set strict guidelines on the information required from the customer even before the CIA work begins. Guelph Hydro believes that these measures will help to ensure that CIAs are completed on time and in full.

- **New Micro-embedded Generation Facilities Connected On Time**
  
  - Guelph Hydro must connect smaller generators that produce less than 10kW of power within five (5) business days, 90% of the time on a yearly basis, unless the customer agrees to a longer connection timeline. These generators are known as “micro-embedded generation facilities”. The timeline depends on the customer meeting specific requirements ahead of time, including generator account set-up and the LDC receiving Connection Authorization from the Electrical Safety Authority (“ESA”).
In 2014, Guelph Hydro achieved 100% for the connection of New Micro-Embedded Generation Facilities ("microFIT") by connecting all 40 microFIT projects within the prescribed time, and above the industry target of 90%. As of December 31, 2014, Guelph Hydro had connected a total of 281 microFIT projects with a total nameplate capacity of 2.132MW.

In 2013, Guelph Hydro connected 73 microFIT projects on time above the prescribed industry target of 90%. There was a decrease in the number of micro-embedded generation project connections from 2012, where Guelph Hydro connected 83 microFIT projects. The workflow to connect these projects is very streamlined and transparent for Guelph Hydro customers. Guelph Hydro works closely with customers and their contractors to address any connection issues and ensure the project is connected on time.
Financial Ratios

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

Financial liquidity measures are intended to provide information on the company’s ability to pay its bills over the short term without any undue financial stress. There are many liquidity “ratios” that can assist the users of the company’s financial information with piecing together a picture of the company’s short-term financial health, and the Current Ratio is one of the best known and widely used liquidity measures that fulfills this purpose. This ratio is derived by dividing the LDC’s current assets by its current liabilities, and both of these amounts can be readily found on the balance sheet of the company’s financial statements.

Over the 2010 to 2014 period, Guelph Hydro has seen a steady deterioration in its Current Ratio, but this trend is explainable. In 2010, Guelph Hydro issued $65 million in long-term debt which increased Guelph Hydro's cash balances temporarily. This can be seen in the relatively high current ratio of 3.00 in 2010. Later, $42.6 million of the $65 million was used to retire debt that had been held by the City of Guelph and debt held by Guelph Hydro’s then parent company, Guelph Hydro Inc. The remaining cash was used up over time to purchase and install smart meters in Guelph Hydro’s distribution system. Therefore, as this cash began to be used, Guelph Hydro’s current ratio declined steadily, and reached a low point of 1.12 as at the end of 2014. The level of the current ratio at the end of 2014 is pointing to the need for the company to carry out a second long-term debt issue as soon as possible as the company has been financing long-term distribution assets with cash from operations. Once this new long-term debt issue is completed, Guelph Hydro expects its Current Ratio to “normalize” at around 2.00 over the next five years.

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

Leverage ratios are intended to provide information on how assets are being financed by the company. The Total Debt to Equity ratio is one of the most widely used leverage ratios. The Ontario Energy Board has set (or “deemed”) a standard leverage structure for electricity distribution companies in Ontario. This leverage structure, on which distribution rates are based, stipulates that 60% of an LDC’s rate base (which is the sum of the LDC’s net fixed assets and an OEB-determined Working Capital Allowance) should be used to determine the LDC’s allowed long-term and short-term debt costs, and 40% of the LDC’s rate base should be used to determine the allowed cost of equity. What this also implies is that for every $1 of (rate base) equity, the LDC can borrow up to $1.50 and still comply with the OEB’s allowed capital structure. Conversely, this ratio also provides useful information if this leverage ratio departs from the allowed 1.50 level.

In Guelph Hydro’s case, this leverage ratio has steadily declined from 1.38 in 2010 to 1.03 at the end of 2014. This means that Guelph Hydro is well below its allowed 1.50 debt-to-equity ratio, and needs to take action to address this under-leveraged position. As pointed out above, one of the root causes of the deterioration in Guelph Hydro’s leverage ratio is due to the company financing long-term distribution capital with operating cash. To remedy this, Guelph Hydro intends to undertake a long-term debt issue in the
near future, and this is expected to align the company’s capital structure with the OEB-allowed capital structure of 60% debt to 40% equity.

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

The OEB sets a “deemed” Return on Equity or ROE for all LDCs in Ontario as part of its broad rate-setting mandate. The deemed ROE that is set by the OEB is derived using a complex formula that includes long-term Government of Canada bonds and relative credit risk and market risk premia for utilities. In general, the deemed ROE, which is also used as an input into setting distribution rates, remains in place until the LDC’s costs are examined by the OEB in a cost of service rate setting period. Guelph Hydro had its deemed ROE set by the OEB at 9.42% in 2012 when its costs were last examined in detail by the OEB. Guelph Hydro will have its deemed ROE re-set as part of its 2016 cost of service rates application.

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

In accounting terms (as contrasted with the deemed ROE described above), a company’s achieved ROE refers to the net income (or profit earned by the company in a given year) divided by the shareholders’ equity on the balance sheet. The ROE is a fundamental indicator of profitability for a company, and also serves as a ready comparator for companies that operate in the same industry.

Guelph Hydro’s achieved ROE from 2011 to 2013 had been in a declining trend, but the measure increased markedly in 2014. There were two main factors that caused this measure to increase in 2014 — the company’s Accounting Reporting Standards (“IFRS”) and tax differences. In 2014, there was a significant difference between the tax calculation for rate making purposes and the actual tax assessed by the Ministry of Finance. Guelph Hydro, as with other distribution companies in Ontario, pays taxes under a provincial tax system called Payment in Lieu of Taxes or PILs. In 2012, for rate making purposes the PILs impact of the Deferral and Variance Account (“DVA”) adjustment was assumed to be nil. In 2014, Guelph Hydro’s actual experience was a $6.3MM increase in regulatory assets over regulatory liabilities. Under IFRS this DVA adjustment flowed through the company’s statement of earnings and had the impact of reducing pre-tax income by $6.3MM in 2014. This resulted in a tax recovery for Guelph Hydro which differs from the tax provision that was approved for rate making purposes in Guelph Hydro’s last Cost of Service filing in 2012. Were Guelph Hydro to remove the impact of this DVA adjustment from its 2014 PILs calculation, this would result in a 2.83% decrease in Guelph Hydro’s achieved ROE for 2014 or an ROE of 9.65%, instead of the reported 12.48%.

Note to Readers of 2014 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.