

Scorecard - Horizon Utilities Corporation

9/28/2015

Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Target	
									Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	99.70%	99.40%	99.20%	99.90%	99.90%	↑	90.00%	
		Scheduled Appointments Met On Time	96.60%	97.30%	95.40%	98.20%	97.60%	↑	90.00%	
		Telephone Calls Answered On Time	81.70%	74.00%	80.00%	81.00%	82.10%	↑	65.00%	
	Customer Satisfaction	First Contact Resolution				90%	89%			
		Billing Accuracy				99.95%	99.65%	↔	98.00%	
		Customer Satisfaction Survey Results				95%	87%			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public awareness [measure to be determined]								
		Level of Compliance with Ontario Regulation 22/04	C	C	C	C	C	↔		C
	Serious Electrical Incident Index	Number of General Public Incidents	10	3	7	6	4	↓		4
		Rate per 10, 100, 1000 km of line	2.974	0.878	2.050	1.750	1.176	↓		1.236
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	1.15	2.23	1.43	4.36	1.59	↑		at least within 1.15 - 4.36
		Average Number of Times that Power to a Customer is Interrupted	1.55	1.74	1.83	1.76	1.65	↑		at least within 1.55 - 1.83
	Asset Management	Distribution System Plan Implementation Progress				105%	97%			
	Cost Control	Efficiency Assessment				2	3	3		
Total Cost per Customer ¹		\$449	\$453	\$470	\$499	\$523				
Total Cost per Km of Line ¹		\$30,810	\$31,197	\$32,513	\$35,054	\$36,129				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved) ²		19.70%	33.61%	55.80%	80.82%	●		60.36MW
		Net Cumulative Energy Savings (Percent of target achieved)		45.66%	66.35%	85.60%	107.49%	●		281.42GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		50.00%	66.67%	100.00%	100.00%			
		New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%		90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.10	0.70	1.10	1.12	0.96			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.87	0.85	0.92	0.89	0.89			
		Profitability: Regulatory Return on Equity		Deemed (included in rates)	9.58%	9.58%	9.58%	9.58%		
			Achieved	8.19%	12.49%	9.01%	7.50%			

Notes:

- 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.
- The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.

Legend:

- ↑ up
- ↓ down
- ↔ flat
- target met
- target not met

Appendix A – 2014 Scorecard Management Discussion and Analysis (“2014 Scorecard MD&A”)

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: http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard Management Discussion and Analysis - General Overview

Horizon Utilities Corporation (“Horizon Utilities”) had a very good year in 2014 with respect to the performance measurement metrics in the Ontario Energy Board (“OEB”) Scorecard (the “Scorecard”). It continued to achieve excellent results in the key subject areas – Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance – and achieved significant improvements over 2013 in a number of areas.

As a customer focused electricity distributor, Horizon Utilities understands that its success is connected to its ability to anticipate and meet the continually evolving energy needs of households and businesses in the communities it serves, in a sustainable way. For this reason, the company strives to exceed industry standards in each of the Scorecard industry measures.

The strength behind Horizon Utilities’ performance stems in large measure from its commitment to sustainable development, one of its business objectives, which encompasses social, environmental and financial responsibility. Since 2008, the company has been faithfully reporting under the triple bottom line international requirements of the Global Reporting Initiative™ (“GRI”) framework. This ongoing commitment to sustainable development has contributed to the health and well-being of the company, with benefits to both its customers and its communities. Horizon Utilities follows sustainability principles to improve: its internal business operational performance; its delivery of service offerings like Conservation and Demand Management (“CDM”) through the use of energy mapping; its customer connection policies, recasting them to incent the benefits of infill development for communities; and, most recently, its supply chain management by engaging suppliers and partners on triple bottom line practices.

This approach is reflected in the company’s four strategic corporate priorities: Easy to Do Business With; Grow Our Business Profitably; Best Performing Utility; and, A Great Place to Work. Horizon Utilities remains committed to upholding its core values: safety, respect, integrity, excellence and innovation, and continues to drive its business forward.

Horizon Utilities is pleased to report the following results of its Performance Scorecard efforts in 2014.

Service Quality

New Residential/Small Business Services Connected on Time

The OEB's Distribution System Code ("DSC") requires electricity distributors to complete a connection for new service under 750 volts within five days from the day on which all applicable service conditions are satisfied. This service quality standard must be met at least 90% of the time on an annual basis. Horizon Utilities works closely with contractors and developers to enhance service levels to achieve this metric. In 2014, Horizon Utilities connected 99.9% of approximately 1,670 eligible low-voltage residential and small business customers to its system within the five-day timeline. As shown on the Scorecard, Horizon Utilities received a green "target met" with an upward arrow. Across the five year period, 2010 to 2014, Horizon Utilities connected low voltage customers to its system within five days over 99.6% of the time.

Scheduled Appointments Met On Time

The OEB's DSC requires that electricity distributors offer to schedule an appointment within a window of time that is no greater than four hours. The electricity distributor must then arrive for the appointment within the scheduled timeframe 90% of the time. The work requested by customers in this category includes: connect or reconnect services; read meters; or perform other necessary work. In 2014, Horizon Utilities scheduled more than 7,200 appointments with its customers within this timeframe, 97.6% of the time. As shown on the Scorecard, Horizon Utilities received a green "target met" with an upward arrow. Across the five year period, 2010 to 2014, Horizon Utilities did not have a score lower than 95.4%. Any missed appointments are rescheduled by Horizon Utilities' agents and are met 100% of the time.

Telephone Calls Answered On Time

The OEB's DSC requires that electricity distributors answer calls within 30 seconds, 65% of the time. This measure is influenced by factors such as: the number of power outages; and news about the electricity market in the media. It varies from year to year. In 2014, Horizon Utilities' Customer Service representatives received more than 305,000 calls from its customers – more than 1,200 calls per working day – and answered these 82.1% of the time within the required timeframe. As shown on the Scorecard, Horizon Utilities received a green "target met" with an upward arrow. Across the five year period, 2010 to 2014, Horizon Utilities had four scores that exceeded 80.0%; only one score (74%) in a difficult storm year was below 80%.

Horizon Utilities continues to enhance the access provided to customers through its Call Centre and Call Centre alternatives. First, since October 2014, it has expanded its hours of service to 6:30 p.m., Monday to Friday for all types of customer inquiries. Email is quickly

becoming the preferred communications channel for many customers as the Customer Service team responded to 4,600 such inquiries in 2014. Horizon Utilities has also expanded self-serve options for customers, which resulted in more than 36,000 self-service transactions being processed through the company's website, mobile website and IVR telephone system. Horizon Utilities' customers can use self-service options to: advise of account changes (e.g., notification of a move); review their account balance; provide notification of payments; or provide their meter reading. They can do so anytime, anywhere, on any device without the need to contact its Customer Service department.

Customer Satisfaction

First Contact Resolution

The OEB does not provide for a specific First Contact Resolution, which is a customer query resolved in a single call – customer satisfaction metric. However, the OEB has instructed all electricity distributors to review and develop a number of customer satisfaction measurements for reporting in 2015. Horizon Utilities has commissioned third-party customer satisfaction surveys for 16 years as a tool for improving customer satisfaction and its own business processes. In 2012, it began surveying First Contact Resolution, receiving a customer satisfaction rating of 89% in 2014 and 90% in 2013.

In determining First Contact Resolution results, customers surveyed are typically contacted within 48 hours of their call to the Customer Service department and are asked a series of questions regarding the quality of service received. In 2014, more than 1400 Horizon Utilities customers responded to this automated transactional survey opportunity which is conducted by a third party service provider. In the case where a customer has advised that their query was not resolved in a single contact, Horizon Utilities: reviews the opportunity to improve its processes; identifies training gaps; and addresses ways to work through the outstanding customer concern.

The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for this item in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

Billing Accuracy

The OEB began prescribing an Industry Target of 98% as a specific Billing Accuracy customer satisfaction metric on October 1, 2014. The measure has been defined as the number of accurate bills issued expressed as a percentage of total bills issued. It is calculated as:
Percentage of Bills Accurately Issued = (Total Number of Bills Issued for Year – Number of Inaccurate Bills Issued for Year) ÷ Total Number of Bills Issued for Year.

For the three months of 2014, Horizon Utilities achieved a billing accuracy of 99.65% for more than 420,000 bills. As shown on the Scorecard, Horizon Utilities received a green “target met” with a flat arrow. Prior to the OEB defining this target, Horizon Utilities defined billing accuracy as the number of customer invoices within Horizon Utilities control that were created without errors. Within that definition, billing was accurate 99.95% of the time in 2013. For the first nine months of 2014, Horizon Utilities achieved billing accuracy of 99.99%, based on this same definition. Horizon Utilities continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

Customer Satisfaction Survey Results

The OEB introduced the Customer Satisfaction Survey Results measure beginning in 2013. At a minimum, electricity distributors are required to measure and report customer satisfaction results at least every other year. At this time, the OEB is allowing electricity distributors the discretion as to how they implement this measure.

Horizon Utilities has commissioned annual customer satisfaction surveys conducted by a third-party for more than 16 years. The provider, Simul Corporation, conducts its UtilityPulse survey for other Ontario and Canadian utilities as well. The survey asks customers about a wide range of topics, including: overall satisfaction; service reliability; customer service; billing experience; and corporate image. The data is incorporated into Horizon Utilities’ planning processes, ensuring that the distributor is evolving to meet customer’s changing needs and expectations.

On customer satisfaction, Horizon Utilities’ scores for the five year period, 2010 to 2014, are reported along with the Ontario average in the table below. Horizon Utilities has consistently exceeded the Ontario distributor customer satisfaction average in each year over the five year period. In 2014, Horizon Utilities received a score of 87%, exceeding the Ontario average of 80%. Horizon Utilities’ scores were over 90% in 2010 to 2013.

Customer Satisfaction	2010	2011	2012	2013	2014
Horizon Utilities	92%	90%	93%	95%	87%
Ontario Average	89%	86%	89%	90%	80%
% above Ontario Average	3%	4%	4%	5%	7%

Public Safety

The OEB's Public Safety metric is new for the Scorecard in 2014, developed for the OEB by the Electrical Safety Authority ("ESA") after public consultation. The OEB, through the ESA recommendation, has now arrived at the three component metrics of (a) Public Awareness of Electrical Safety, (b) Compliance with Ontario Regulation 22/04, and (c) Serious Electrical Incident Index.

Safety is a core value and is always top priority at Horizon Utilities. The company is one of the first electric utilities in Canada to implement the CSA Z1000 safety program, which focuses on: i) promoting the physical, mental, and social wellbeing of workers in the workplace; and ii) protecting workers from adverse workplace conditions. Horizon Utilities' commitment to public and employee safety is clearly demonstrated through its stringent safety protocols and training. It is in fact one of a small number of Ontario distributors to have achieved over two million hours without a lost-time injury on several occasions.

Component A – Public Awareness of Electrical Safety

With the recommendation from the ESA having only been made in early 2015, the OEB, in conjunction with the ESA, has not yet set the metric for Public Awareness of Electrical Safety. Horizon Utilities nonetheless has a long history of public engagement on electrical safety, including electrical safety advertising campaigns and having employees volunteer their time across Hamilton and St. Catharines to promote electrical safety and education initiatives. In 2014, for instance, Horizon Utilities engaged thousands of students in 36 schools on safety through an interesting and interactive electrical safety presentation. Employees from all disciplines deliver life-saving safety awareness messages and answer questions from students who are about to enter the workforce.

Component B – Compliance with Ontario Regulation 22/04

The metric measuring Ontario Regulation 22/04 (the "Regulation") exists to assess an LDC's compliance with the ESA's standard for safety performance based requirements for the design, construction, and maintenance of electrical distribution systems. Horizon Utilities received a rating of 'compliant', the highest rating possible, for its performance in 2010 to 2014. This rating is based upon Horizon Utilities' performance in the following areas: Regulation 22/04 audit; Declaration of Compliance; Due Diligence Inspections; Public Safety Concerns; and Compliance Investigations.

Across the period 2010 through 2014, Horizon Utilities had zero non-compliance issues identified in the annual Regulation 22/04 audit confirming that the company's commitment to safety is effective and that it is compliant with the Regulation.

Annual Due Diligence Inspections of the LDC's electrical distribution installations are completed by ESA with primary focus on ensuring the construction in the field is in accordance with a plan, work instruction, and standard design compliant with Regulation 22/04.

All Public Safety Concerns issued to the LDC by ESA are reviewed for compliance against Ontario Regulation 22/04 corrected in a timely fashion should these concerns fall outside the established Regulation.

As background, the Regulation requires an audit and declaration of compliance that: measures the appropriateness of processes in place to comply with the safety standards set out in the Regulation; and that determines whether the distributor correctly follows its processes. The audit is an independent review and examination of records and activities to: (i) assess the adequacy of system controls; (ii) ensure compliance with established policies and procedures; and (iii) recommend necessary changes in controls, policies, or procedures to meet objectives. Horizon Utilities' most recent independent audit findings for the period May 1, 2013 to April 30, 2014 were consistent with findings in prior years.

Component C – Serious Electrical Incident Index

The Serious Electrical Incident Index measures the number and rate of serious electrical incidents occurring across the distributor's assets per 10, 100 or 1,000 km of line. Section 12 of Ontario Regulation 22/04 defines a "serious electrical incident" to mean:

- (a) any electrical contact that caused death or critical injury to a person;
- (b) any inadvertent contact with any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person; or
- (c) any fire or explosion in any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, except a fire or explosion caused by lightning strike.

Horizon Utilities' goal is to have zero "serious electrical incidents" annually. Horizon Utilities expects to achieve these results through: renewal of its aging infrastructure to bring distribution assets to current material and construction standards; review and continual improvement of health and safety procedures; and continual education external workers on hazard identification and avoidance.

Horizon Utilities' performance based incidents reported to the ESA and incidents that meet the Ontario Regulation 22/04 definition are provided in the table below:

Year	ESA's Definition of Reg. 22/04	Incidents per Horizon Utilities' Interpretation of Reg. 22/04	km of Line	Rate Default Value	Serious Incident Index per Incidents Reported Per ESA Definition of Reg. 22/04	Serious Incident Index per Horizon Utilities' interpretation of Reg. 22/04
2010	10	3	3363	1000	2.974	0.8921
2011	3	3	3415	1000	0.878	0.8785
2012	7	1	3414	1000	2.050	0.2929
2013	6	4	3428	1000	1.750	1.167
2014	4	3	3401	1000	1.176	0.8821

In 2014, Horizon Utilities experienced three “serious electrical incidents” per the Horizon Utilities interpretation of the definition in the Regulation, which is consistent with the five year average from 2010 to 2014 of Horizon Utilities' interpretation of Reg. 22/04. The difference between incidents under ESA's definition and this interpretation of Reg.22/04 is due to the industry's confusion of incidents with potential for “inadvertent” electrical contract rather than incidents of inadvertent contact with “potential” to cause a serious injury. Horizon Utilities will commence reporting to the ESA only “serious electrical incidents” as defined in the Regulation in 2015.

System Reliability

In addition to its role of regulating rates, the OEB also reviews, reports and publishes the system reliability (loss of supply) statistics of licensed electrical distributors like Horizon Utilities. For the purposes of this Scorecard, the OEB publishes metrics identifying customer power outage frequency and customer power outage duration.

Horizon Utilities has two strategies for addressing system reliability: continued renewal of its distribution system; and continued deployment of distribution system automation. With respect to the latter, Horizon Utilities: completed a renewal of its Geographic Information System (“GIS”) in 2014; deployed the first phase of its new Outage Management System (“OMS”) in 2014 with the second and third phases to be completed in 2015; and intends to tie together the GIS and OMS through its Advanced Metering Infrastructure (“AMI”) or customer system in 2016. As a result of this investment, Horizon Utilities' OMS will be able to identify individual customer outages on a real time basis and be better able to resource and respond to outages.

Any distributor can experience significant year-over-year volatility in the system reliability measure because this measure is heavily influenced by the number and severity of major weather events that may occur in any one year. As the impacts of climate change become

a more prevalent issue, this number may continue to be affected by the frequency and intensity of severe weather events. The following commentary is provided with respect to Horizon Utilities' performance on the two key power outage metrics for 2014.

Average Number of Hours that Power to a Customer is Interrupted

The OEB uses System Average Interruption Duration Index ("SAIDI") as an index of system reliability. SAIDI is the average amount of time that supply to a customer is interrupted per year. The metric is determined by dividing the total customer hours of all interruptions (excluding interruptions caused by upstream Loss of Supply events to the distributor) divided by the average number of customers served. In 2014, Horizon Utilities' customers experienced a reliability rate, on average, of 99.98% or 1.59 hours of power interruption. The Scorecard shows that Horizon Utilities received a green "target met" with an upward arrow. Horizon Utilities' performance has consistently been within the OEB defined acceptable range in recent years.

Average Number of Times that Power to a Customer is Interrupted

The OEB also uses System Average Interruption Frequency Index ("SAIFI") as an index of system reliability. SAIFI is the average number of times per year that the supply to a customer is interrupted. The metric is determined by dividing the total number of customer interruptions experienced by all customers (excluding interruptions caused by upstream Loss of Supply events to the distributor), by the average number of customers served. In 2014, Horizon Utilities' customers experienced an average of 1.65 interruptions. The Scorecard shows that Horizon Utilities received a green "target met" with an upward arrow. Horizon Utilities' performance has consistently been within the OEB defined acceptable range in recent years.

Asset Management

Distribution System Plan Implementation Progress

The OEB does not require all distributors to use the same approach to measure Distribution System Plan Implementation progress. However, the OEB requires that distributors report on this metric to indicate whether their work continues to be "on track" relative to their Distribution System Plans. Horizon Utilities measures its Distribution System Plan Implementation Progress by comparing capital expenditures to that which was approved by the OEB. The measure indicates that Horizon Utilities' actual capital expenditures were 97% of budget in 2014, compared to 105% in 2013.

In determining its Distribution System Plan priorities, Horizon Utilities completed a comprehensive development plan that: provides a 20 year outlook; and defines specific capital and operating plans for the next five years. As the first distributor to receive approval under the OEB's new 'custom' incentive rate-setting framework, Horizon Utilities has set the stage for renewal and modernization of its distribution system in a timely manner, one that ensures continued reliability and avoids undue increases in customer rates.

Using an asset management approach to renewal and modernization priorities, Horizon Utilities has refined its long-term distribution system capital plan through a logical and sequential process, including: i) preparing a detailed assessment of the health of its assets by an independent engineering consulting firm using industry best practices; ii) developing a comprehensive Asset Management Plan (“AMP”); and iii) preparing a long-term Distribution System Plan (“DSP”) that provides for annual distribution system capital investments on a prioritized basis.

Cost Control

Efficiency Assessment

The total costs for Ontario distributors are evaluated by the Pacific Economics Group LLC (“PEG”) on behalf of the OEB to produce a single efficiency ranking. Distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. Distributors with larger negative differences between actual and predicted costs are considered better cost performers and therefore eligible for lower stretch factors. The following outlines the five groups to which the distributors can be allocated and their definitions:

- 1) Cohort I (Stretch Factor = 0.0%) – Actual costs are 25% or more below predicted costs;
- 2) Cohort II (Stretch Factor = 0.15%) – Actual costs are 10% to 25% or more below predicted costs;
- 3) Cohort III (Stretch Factor = 0.30%) – Actual costs are within +/- 10% of predicted costs;
- 4) Cohort IV (Stretch Factor = 0.45%) – Actual costs are 10% to 25% or more above predicted costs; and
- 5) Cohort V (Stretch Factor = 0.60%) – Actual costs are 25% or more above predicted costs.

In 2012, Horizon Utilities was placed in Cohort II; a Cohort II distributor is defined as having actual costs 10 to 25 percent below predicted costs. The significance of this categorization is that Horizon Utilities was ranked as high as 7th and not below 21st of the 71 distributors ranked, given that only six of the 71 LDCs are in Group I and 15 are in Group II.

In 2013, an update of the PEG analysis was released that indicated a change to Horizon Utilities’ relative efficiency. Horizon Utilities was placed in Cohort III; a Cohort III distributor is defined as having actual costs within 10% of predicted costs.

In 2014, Horizon Utilities maintained its placement in Cohort III having achieved actual costs that were within 10% of predicted costs.

Total Cost per Customer

Total costs per customer and per kilometer are computed by PEG based on an econometric model to adjust distributors' costs reported in the financial statements in order to benchmark distributors' cost performance. They are based on, but do not represent, Horizon Utilities' costs as identified in its financial statements.

Total costs refer to operating and capital costs and include Horizon Utilities' costs to operate, maintain, administer and renew its distribution system, buildings, and related underlying systems and processes. Horizon Utilities' operating and capital costs are increasing year-over-year. The increase in capital costs corresponds to Horizon Utilities' ongoing need to invest in the necessary renewal of its distribution system, buildings, and related underlying systems and processes. A significant portion of Horizon Utilities' asset infrastructure is now at or nearing end-of life and is due for renewal. Horizon Utilities is replacing assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts.

Increases in operating costs are mainly attributable to increases in distribution system and facilities maintenance, information technology costs supporting new regulated and internal business processes, salary/wage inflation, inflation in non-labour expenses, partially offset by significant productivity achievements. Horizon Utilities experienced a low level of customer growth in its service territory. As a result, cost per customer has increased year over year with the increase in capital and operating costs. Distributors with low customer growth rates with upward cost pressures experience higher increases in cost per customer compared to distributors with higher growth rates that are able to fund capital renewal and operating costs through customer growth. New suburban distributors are not confronted by the infrastructure maintenance and capital renewal challenges of distributors in older municipalities. Suburban distributors, where the focus is on new capital rather than maintenance, can capitalize more labour costs, resulting in lower pressure on the key sector comparator of OM&A costs.

Total Cost per Km of Line

Horizon Utilities experienced a low level of customer growth in its service territory in terms of number of total kilometers of lines. As a result, costs per kilometer of line have increased year over year with the increase in capital and operating costs. Distributors with low growth rates with upward cost pressures experience higher increases in cost per kilometer of line as compared to distributors with higher growth rates that are able to fund capital renewal and operating costs through customer growth.

Conservation & Demand Management

The OEB received a directive from the Minister of Energy in 2010 to ensure that distributors meet prescribed electricity Conservation and Demand Management (“CDM”) targets by the end of 2014. The targets were established to encourage distributors to help their customers reduce both electricity consumption and peak provincial electricity demand. Horizon Utilities has exceeded the 80% target thresholds for both Demand and Energy Targets.

Net Annual Peak Demand Savings

Horizon Utilities attained 80.82% of its four-year electricity demand reductions between 2011 and 2014, successfully exceeding the OEB’s established 80% target threshold. It did so by delivering Net Annual Peak Demand Savings of 48.78 MW (megawatts) by the end of 2014. This was achieved by: fully leveraging the entire suite of Independent Electricity System Operator (“IESO”) province-wide demand management programs; placing increased emphasis on the Demand Response (“DR-3”) and peaksaver PLUS programs; and supporting the conservation efforts of large commercial, industrial and institutional customers. The addition of new Energy Managers and Key Account Managers were critical to identifying and pursuing opportunities within these sectors. The DR-3 program was the most successful demand reduction program, delivering 17.69 MW of demand savings capacity.

Net Cumulative Energy Savings

Horizon Utilities forecasts an achievement 107.49% of its four-year net cumulative energy savings target between 2011 and 2014, reaching 302.5 GWh (gigawatt-hours) by the end of 2014. This was achieved by fully leveraging the entire suite of IESO province-wide energy reduction programs. The strong and early participation of local commercial customers in the IESO’s saveONenergy RETROFIT, Small Business Lighting, and Home Assistance programs were critical to delivering the energy savings.

The saveONenergy RETROFIT program was the most successful energy efficiency program for Horizon Utilities’ customers, resulting in over 112.8 GWh in cumulative energy savings. It enabled Horizon Utilities to provide some of the largest incentives paid out in the province to participating large commercial customers. Similarly, by working with local Business Improvement Associations and local Chambers of Commerce, Horizon Utilities engaged 2,783 small commercial customers in the Small Business Lighting program, for a total annual savings of 18 GWh. By partnering with local service agencies and social housing providers, Horizon Utilities provided energy efficiency measures to over 7529 low income qualified customers resulting in 15.8 GWh of cumulative annual savings through the Home Assistance Program.

Connection of Renewable Generation

Renewable Generation Connection Impact Assessments Completed on Time

Horizon Utilities successfully completed all Renewable Generation Connection Impact Assessments (“CIAs”) in 2014 within the required timeframe specified by the OEB. The OEB requires that CIAs be completed within 60 days (or 90 days if an expansion of the distribution system is required to accommodate the generation) of receiving a complete application from a customer. Horizon Utilities’ performance was also 100% in 2013. Horizon Utilities has continuously improved its performance relative to this metric. Based on its performance in 2011 and 2012, which were below target, Horizon Utilities has since developed and implemented improved procedures to ensure completion of all CIAs within the prescribed timeframe.

New Micro-embedded Generation Facilities Connected on Time

Horizon Utilities successfully connected 100% of all New Micro-embedded Generation Facilities in 2014 within the required timeframe set out by the OEB. These connections are for Feed in Tariff projects of less than 10 kW (micro-FIT). The OEB requires 90% of these projects to be completed within five days of receiving authorization from the Electrical Safety Authority. Horizon Utilities’ performance exceeds the OEB’s industry target of 90%.

Financial Ratios

Liquidity: Current Ratio (Current Assets/Current Liabilities)

The OEB requires distributors to report their Current Ratio because it is one of a number of common measures of the financial health of a distributor. The Current Ratio indicates whether or not the distributor has enough resources (assets) to pay its debts (liabilities) over the next 12 months. A Current Ratio of 1.0 means all current assets can cover all current liabilities. The company’s Current Ratio in 2014 was 0.96, down from 1.12 in 2013.

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

The OEB requires distributors to report on their “Leverage” or debt to equity ratio as another common measure of the financial health of the organization. This is a useful measure because it indicates the extent to which the distributor is borrowing money to finance its assets. In its rate setting policies, the OEB uses a deemed capital structure for distributors of 60% debt and 40% equity. This means the leverage is 1.5 (60/40 or $60 = 40 \times 1.5$). Horizon Utilities has consistently had less leverage than the OEB’s deemed capital structure in recent years, with 0.89 in 2014. Having this relatively low level of debt-to-equity enables Horizon Utilities to use increased financial leverage to

support its future plans for capital expenditures and growth. Horizon Utilities' strong financial position is further supported by its Standard & Poor's rating of "A".

Profitability: Regulatory Return on Equity – Deemed (included in rates) and Achieved

The OEB requires all distributors to report their Return on Equity earned through OEB approved distribution rates as another common measure of the financial health of the distributor. Horizon Utilities' 2014 distribution rates were approved with an allowance for a (deemed) Return on Equity of 9.58%. The OEB, however, allows a distributor to earn within plus or minus 3% of the deemed return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

Horizon Utilities' achieved return on equity was 7.50% in 2014. This is within the range allowed by the OEB. Its four-year average return for 2011 to 2014 was 9.30%. The 2014 return was lower than the deemed return principally due to (i) the write-off of a significant accounts receivable balance resulting from the insolvency of a large commercial customer; and (ii) higher professional fees related to the preparation of Horizon Utilities' 2015 Custom Incentive Rate Application.

Note to Readers of 2014 Scorecard Management Discussion and Analysis

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 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.