

Scorecard - Hydro One Networks Inc.

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	90.90%	92.00%	95.70%	97.40%	97.40%	↑	90.00%		
		Scheduled Appointments Met On Time	92.70%	93.90%	98.60%	98.40%	99.30%	↑	90.00%		
		Telephone Calls Answered On Time	69.70%	81.40%	83.40%	63.90%	69.60%	↓	65.00%		
	Customer Satisfaction	First Contact Resolution				78.30%	79%				
		Billing Accuracy				4.40%	94.63%	↔	98.00%		
		Customer Satisfaction Survey Results				87%	85%				
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	NI	NI	NI	NI	NI	↔		C	
		Serious Electrical Incident Index	Number of General Public Incidents	6	8	6	7	4	↓		4
	Rate per 10, 100, 1000 km of line		0.050	0.066	0.051	0.059	0.033	↓		0.036	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	9.00	21.17	10.58	26.57	9.42	↑		at least within 9.00 - 26.57	
		Average Number of Times that Power to a Customer is Interrupted	2.91	3.93	3.15	4.23	2.96	↑		at least within 2.91 - 4.23	
	Asset Management	Distribution System Plan Implementation Progress				Under Review	104				
	Cost Control	Efficiency Assessment				5	5	5			
		Total Cost per Customer ¹	\$1,052	\$1,072	\$1,041	\$1,046	\$1,069				
Total Cost per Km of Line ¹		\$10,471	\$11,064	\$10,741	\$10,682	\$10,916					
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		15.43%	27.96%	53.57%	78.35%	●		213.66MW	
		Net Cumulative Energy Savings (Percent of target achieved)		29.61%	45.46%	59.59%	79.48%	●		1,130.21GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	95.79%	99.39%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time				99.71%	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)	1.01	0.99	0.99	1.00	0.99				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.44	1.34	1.30	1.35	1.31				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.66%	9.66%	9.66%	9.66%			
			Achieved		8.80%	8.72%	8.00%	6.26%			

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>

FORWARD-LOOKING STATEMENTS AND INFORMATION

Our oral and written public communications, including this document, often contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and include beliefs and assumptions made by the management of our company. Such statements include, but are not limited to: statements regarding ongoing and planned projects and/or initiatives including the expected results of these projects and/or initiatives; statements about the company’s strategy; and statements regarding future capital investments. Words such as “expect,” “anticipate,” “intend,” “attempt,” “may,” “plan,” “will”, “can”, “believe,” “seek,” “estimate,” and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. We do not intend, and we disclaim any obligation to update any forward-looking statements, except as required by law.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to the following: no unforeseen changes in the legislative and operating framework for Ontario’s electricity market; no severe damage to our facilities caused by adverse weather conditions, natural disasters or catastrophic events; anticipated numbers of new customers and renewable energy projects materializing; availability of required services and/or materials; a stable regulatory environment; and no significant event occurring outside the ordinary course of business. These assumptions are based on information currently available to us, including information obtained from third party industry analysts. Actual results may differ materially from those predicted by such forward-looking statements. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things: severe weather conditions, natural disasters or catastrophic events; an inability to procure required services and/or materials; and the risk that anticipated numbers of new customers and renewable energy projects do not materialize.

Scorecard MD&A - General Overview

For 2014, Hydro One Networks' performance was better than target in all areas, except for billing accuracy, conservation & demand management, and one of the public safety measures. In addition to ongoing operations, a major focus in 2014 was investing in improvements to our customer call centre and billing operations. This was in response to poor customer service arising from implementation in 2013 of a new billing system. As a result, we were able to improve our billing accuracy and customer service, but not yet up to our own standards and targets. In 2014, our billing accuracy measured 94.63 per cent, falling short of the industry target of 98 per cent. The billing-related issues that some of our customers had experienced in 2014 also contributed to a lower level of customer satisfaction – about 2 percentage points lower than in 2013, and many customers who indicated that they were not yet in a position to confirm that our performance had improved to their standards. Having fixed the technical issues that caused our customer service disruption, our focus now is to consistently improve our performance, win back the confidence of our customers, and provide them with an ever-improving experience. Based on discussions with our customers, and on feedback from them, we plan to continue developing targeted products and services that respond to our customers' unique needs. This includes realizing value from our new Customer Information System ("CIS"), simplifying and shortening timeframes for the delivery of services, and enhancing accessibility (in person, by phone, through our web portal, and using our mobile application) to allow effective self-service for simple transactions. We are also committed to delivering programs to help our customers manage their energy consumption. We have also formed a third-party Customer Service Advisory Panel and launched our draft Customer Commitments, to allow us to develop and clearly articulate our promises to our customers and to hold us accountable for keeping those promises.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2014, Hydro One Networks processed 14,967 new connection requests for residential and small business low-voltage customers (those with service less than 750Volts). 97.4 per cent of these requests were completed within five business days (or as agreed to by the customer and the distributor), exceeding the requirements of the Ontario Energy Board's Distribution System Code ("DSC") and also exceeding the industry target of 90 per cent for the fifth consecutive year. Although the number of connections remained steady compared to 2013, our performance in this area has improved over the last five years, from about 91 per cent in 2010.

- **Scheduled Appointments Met On Time**

Hydro One Networks scheduled 26,783 appointments in 2014. This measure applies to appointments where customer presence is required, and also to those where customers do not need to be present. When a customer requests an appointment, the appointment must be scheduled within five business days (or as agreed to by the customer and the distributor). If customer presence is required, the distributor must commit to, and arrive within a four-hour window for the appointment; if customer presence is not required, the distributor must arrive on the scheduled date. The Company recorded a 99.3 per cent success rate in meeting these requirements, exceeding the industry target of 90 per cent for the fifth consecutive year. Performance in meeting scheduled appointments has improved steadily over

the past five years, from about 92.7 per cent in 2010. Hydro One remains committed to meeting our customers' expectations in this area.

- **Telephone Calls Answered On Time**

Hydro One Networks' Call Centre agents received about 1.4 million phone calls from customers in 2014. The Ontario Energy Board's ("OEB") Distribution System Code requires call centre staff to answer calls within 30 seconds, 65 per cent of the time, whenever the customer reaches an agent either directly or by means of a transfer, or where the customer has selected the option to speak to an agent via our automated Interactive Voice Response ("IVR") system. In 2014, we met this requirement 69.6 per cent of the time, exceeding the industry target, and improving by 5.7 percentage points from 2013. In the past two years, our performance was lower than both 2011 and 2012 levels, mainly due to our work to implement our new billing system, higher call volumes related to a storm in December 2013, and to bill payments and collections in late 2014. The Company expects our Call Answering performance to improve with the support of our new call centre service provider (for the 2015-18 period), which includes targets to answer calls within 20 seconds, 80 per cent of the time. Our call centre's ability to answer calls in a timely manner is of course a function of call volumes, which are especially affected by unexpected events and extreme weather conditions.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution ("FCR") reports the success of the distributor in resolving the issue during the first contact. Hydro One measures First Contact Resolution based on transaction surveys that are performed within five days of a customer contact. The results for the year were 79 per cent, representing an improvement of 0.7 percentage points from 2013. For 2015, the Company has set its own First Contact Resolution target of 83 per cent. Hydro One Networks has achieved significant improvements in its call centre and billing operations following the implementation of our new billing system. Recognizing that the call centre is the primary contact point for most customers, we continue to enhance its capabilities and service quality. For example, the company implemented a new customer service quality assurance program, which includes recording all call activity for quality assurance purposes, and regularly surveying our customers to solicit feedback on our own performance.

- **Billing Accuracy**

In 2013, Hydro One Networks' billing accuracy was reported based on the percent of estimated bills, with 4.4 per cent of bills based on estimates. In late 2014, the metric was redefined by the OEB, and Hydro One Networks has modified its reporting to align with the redefinition. However, due to this redefinition of how billing accuracy is measured and reported, our 2014 results of 94.63 per cent cannot be compared to 2013. Also, in 2014, the OEB exempted us from applying Time of Use ("TOU") billing for about 170,000 customers, whose meters are "hard-to-reach" and unable to communicate reliably on our smart meter network due to poor cellular coverage. We have asked the OEB to exclude these same accounts from the billing accuracy requirements, and if granted, this exemption would result in a billing accuracy of 97.86 per cent for 2014. A decision is expected from the OEB on the exemption later in 2015.

- **Customer Satisfaction Survey Results**

Customer satisfaction results for the year were 85 per cent, 2 percentage points below our 2013 results. The measure records customer satisfaction with Hydro One at a “transactional” level, and also our customers’ perceptions of us, using customer surveys for both. While customers’ satisfaction with their transactions with Hydro One Networks has improved, the perception results were poorer as a result of low scores from our Large Distribution Accounts customers. Also, poorer 2014 results were attributable to the billing-related customer service issues that Hydro One experienced earlier in 2014. Our plan to improve customer satisfaction has taken into account discussions with our customers and reflects the planned development and delivery of targeted products and services that respond to our customers’ unique needs. This includes realizing value from our new Customer Information System, simplifying and shortening timeframes for the delivery of services, enhancing accessibility (in person, by phone, through our web portal and using our mobile application) to ensure effective self-service for simple transactions, and delivering programs which help customers better manage their energy consumption. In addition, to further improve our customer service performance culture as a transparent, accountable and customer-focused organization, we have recently announced two new initiatives – a third party expert Customer Service Advisory Panel and our draft Customer Commitments. Our Customer Commitments will form the basis of our promises to our customers, and the Customer Service Advisory Panel will provide advice and help hold us accountable to the promises we make to our customers. Once our Customer Commitments are finalized with input received from our customers, our employees and our Customer Service Advisory Panel, we will develop a public scorecard and use it to report on our performance.

Safety

- **Public Safety**

In April 2015, the Electrical Safety Authority (“ESA”) made recommendations to the OEB for a scorecard public safety measure that includes three main components: 1) Public Awareness of Electrical Safety, 2) Compliance with Ontario Regulation 22/04, and 3) the Serious Electrical Incident Index. The OEB accepted the recommendations and has instructed all distributors that the first reporting to include all three components will be on the scorecards for 2015.

- **Component A – Public Awareness of Electrical Safety**

This component of the public safety measure will not have performance data for the 2014 scorecard since the survey results are not available. The year 2016 will be the first year that the data will be reported on the scorecard for the 2015 results. An industry target for the metric has not been set, but will be established once three years of data is gathered from the distributors.

- **Component B – Compliance with Ontario Regulation 22/04**

Following recommendations from the Electrical Safety Authority, Ontario Regulation 22/04 was introduced in early 2004 to ensure electrical safety and to track and report the safety records and compliance of electricity distributors. The regulation relies on objective-based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems. Distributors are required to submit declarations of compliance with the regulation, signed by an officer of the company, on an annual basis. An external auditor is engaged by the company to audit and report on the company’s compliance with various safety, equipment, planning, and construction clauses from the regulation. The auditor’s report along with the signed declaration of compliance is submitted to the Electrical Safety

Authority. The performance target for compliance with Ontario Regulation 22/04 is for the distributor to be fully compliant, and is recorded as Compliant (“C”), Non-Compliant (“NC”), or Needs Improvement (“NI”). For 2014 and as in previous reporting periods, Hydro One was assessed as “NI”, or Needs Improvement. Hydro One is committed to continuous improvement in the area of public safety. Throughout the year, Hydro One takes an active role in educating our customers and the public through various safety-related media campaigns, through social media and press releases, using our mobile state-of-the-art interactive Electricity Discovery Center (which helps customers manage usage and costs while educating children on electrical safety), providing tips on emergency preparedness and seasonal safety, and working proactively to reduce theft-related injuries by replacing copper grounding elements with a steel composite.

- **Component C – Serious Electrical Incident Index**

The Serious Electrical Incident Index is a component of Regulation 22/04 and is meant to address the resultant impact in improving public electrical safety on the distribution network over time. The measure normalizes serious electrical incidents per 10, 100, or 1,000km of line, and both the actual number and rate per kilometer are reported. The Regulation requires the distributor and any of its contractors or operators to report to the Electrical Safety Authority any serious electrical incident within 48 hours. A serious electrical incident is defined as any electrical contact or any fire or explosion that caused or may have caused injury or death in any part of the distribution system operating at greater than 750 Volts (except as caused by lightning strikes). For 2014, Hydro One’s target based on the previous five years and our total kilometers of distribution lines, generated an index value of 0.036, or four incidents per 1,000km of line. The company’s Electrical Safety Authority audited reports identified four serious electrical incidents in 2014, converting to an index of 0.033, slightly better than target. The company’s performance represents an improvement in safety of our distribution system of about 44 per cent from last year, and about 34 per cent since 2010, coinciding with three fewer serious electrical incidents than 2013, and two fewer than in 2010.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

The metric represents the duration of interruptions, as the ratio of the total customer hours of interruption to the total number of customers served, expressed as the average time in hours over the reporting period. The measure captures all planned and unplanned interruptions of one minute or longer (including events caused by *force majeure* and excluding outages caused by the upstream loss of electrical supply). For the year 2014, the average distribution system interruption was 9.42 hours, at the lower end and well within the distributor range of 9.00 to 26.57 hours (the range is set using the lowest and highest results during the past four-year period). The duration of interruptions showed a significant reduction from 2013 by about 17 hours. The improvement was mainly attributable to a decreased frequency of *force majeure* events in 2014, defined as those interruptions affecting at least 10 per cent of our distribution customers. Two such events on September 5-6 and November 24-25 were categorized as *force majeure*. September’s event was the result of a severe thunderstorm passing through southern Ontario with winds exceeding 75 km/h, carrying with it heavy rainfall and large hail. The storm affected about 137,000 (nearly 11 per cent) of our customers in most regions across Ontario. The storm of November 24-25 affected northern regions of Lake Erie and Lake Ontario, central Ontario, Grey Bruce region, and the GTA with snow accumulation of about 30cm and periods of freezing rain affecting northeastern Ontario. About 238,000 (nearly 18 per cent) of our customers were affected by that storm. In 2014 we made capital investments totaling \$1,530 million to improve our transmission and distribution systems’ reliability and performance, address our aging power system infrastructure, facilitate new generation, and improve service to our customers.

- **Average Number of Times that Power to a Customer is Interrupted**

Frequency of customer outages was reported at 2.96 outages per customer for 2014, a 30 per cent improvement from 2013, with the frequency of outages in 2014 sitting at lower end of the distributor range of 2.91 to 4.23 outages per customer. The distributor range is defined in the same manner as that for the duration metric above. The company's progress on this metric is attributable mostly to a reduction in the number of incidents of trees coming into contact with power lines, and fewer *force majeure* events in 2014. For additional details on the causes and impacts of specific events, please refer to the preceding section on *Average Number of Hours that Power to a Customer is Interrupted*.

Asset Management

- **Distribution System Plan Implementation Progress**

Distribution System Plan (“DSP”) implementation progress is a new performance measure instituted by the OEB, effective in 2013. Consistent with other new measures, utilities were given an opportunity to define it in the manner that best fits their organization. The Distribution System Plan outlines Hydro One Networks' forecasted capital expenditures over the next five years, required to maintain and expand the company's electricity system to serve current and future customers. Progress is measured as the ratio of actual total capital expenditures made in a calendar year to the total amount of planned capital expenditures for the same year. For 2014, the company exceeded its planned project expenditures by 4 per cent.

Cost Control

- **Efficiency Assessment**

Cost control metrics are evaluated on behalf of the OEB by an independent party, the Pacific Economics Group LLC (“PEG”). The study attempts to segment electrical distributors into five groups based on a benchmarking evaluation of cost efficiency as measured by the difference between actual costs and PEG's prediction of costs. Group 1 distributors are considered most efficient, with actual costs 25 per cent or more below predicted costs and Group 5 distributors are considered least efficient, according to the PEG methodology, with actual costs 25 per cent or more above predicted costs. For 2014 and for the third consecutive reporting period, Hydro One's results place the company in Group 5, along with Algoma Power Inc., Toronto Hydro-Electric System Ltd., West Coast Huron Energy Inc., and Woodstock Hydro Services Inc.

- **Total Cost per Customer**

The total cost per customer is defined as the total Capital and Operations, Management, & Administration (“OM&A”) costs, divided by the total number of customers served. This includes certain adjustments prescribed by the PEG methodology. In 2014, Hydro One's total cost per customer was \$1,069, which is 2.2 per cent higher than in 2013 and about 1.5 per cent higher than the four-year average, resulting from our increased expenditures to address billing and other customer service issues, and to improve service for our customers following the implementation of our new billing system.

- **Total Cost per km of Line**

The total cost per kilometer of line is defined as the total Capital and OM&A costs, divided by the total number of kilometers of line operated to serve customers, along with certain PEG prescribed adjustments. In 2014, Hydro One's total cost per kilometer of line was \$10,916, or about 2 per cent higher than 2013 and about 1.6 per cent higher than the four-year average. As noted above, these increased costs reflected our efforts and commitment to address customer service issues and improve the experience for our customers in 2014.

Conservation & Demand Management (CDM)

- **Net Annual Peak Demand Savings (Percent of target achieved) &**
- **Net Cumulative Energy Savings (Percent of target achieved)**

Hydro One had submitted its forecast to the OEB in September 2014, advising that we would be below the 80 per cent target in this area. The achieved Peak Demand reduction results of 167.4MW represents 78.35 per cent of the demand target. Achieved Cumulative Energy savings of 898.4GWh represent 79.48 per cent of the energy target. These achievements represent our planned results as laid out in Hydro One Networks' 2010 strategy submission to the OEB. The shortfall from target is due to allocated Time of Use Demand savings of 8.8MW falling much below the provincial forecast, and also due to the fact that the Ontario Power Authority ("OPA") province-wide CDM programs were launched later than expected, thereby reducing their impact.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

For 2014, Hydro One Networks completed 344 Connection Impact Assessments ("CIA") and for the second consecutive year achieved a 100 per cent on-time completion rate (completing the CIA within 60 days). A CIA is used to assess the impact of a new connection on the distribution system, and is applicable to facilities that are greater than 10kW.

- **New Micro-embedded Generation Facilities Connected On Time**

Results for 2014 improved by 0.29 percentage points compared to 2013, resulting in a 100 per cent success rate for on-time connection of micro-embedded generation facilities. The metric measures the company's success in connecting micro-embedded generation facilities (less than 10kW) 95 per cent of the time within a five business day window.

Financial Ratios

The basis for these financial ratios is the company's Distribution Business Financial Statements December 31, 2014 filed with the OEB under the Electricity Recording & Record-Keeping Requirements (RRR) submission.

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

The company measures current ratio as the ratio of its current assets to its current liabilities. Current assets are defined as cash or other assets to be converted to cash within the year and which can be used to fund daily operations and pay ongoing expenses. Current liabilities are defined as short term debts or financial obligations that become due within the year. For 2014, the current ratio was reported as 0.99, which is 0.01 points lower than in 2013. This result indicates that for every one dollar of debt due within the year, the company has \$0.99 in cash or cash equivalents to cover the obligations.

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

The debt-to-equity ratio is a measure of the company's financial leverage and serves to identify the ability to finance assets and fulfill obligations to creditors, while remaining within the OEB-mandated 60 per cent to 40 per cent debt-to-equity structure (a ratio of 1.5). For 2014, the company's debt-to-equity ratio was 1.31, representing a 0.04 point decrease compared to 2013 and 0.19 points lower than the OEB target.

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

Hydro One Networks' deemed regulatory return on equity for 2014, as in previous years, was 9.66 per cent. The distribution rates approved by the OEB are based in part on the deemed return on equity.

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

For the year 2014, Hydro One Networks achieved a return on equity of 6.26 per cent for its Distribution business. This result is below the deemed return on equity by 3.40 percentage points. Compared to 2013, the reduction in return on equity is 1.74 percentage points and the overall result is lower than our historical average of 8.46 per cent return on equity, mainly attributable to an increase in expenses related to customer service, reflecting our efforts in 2014 to address billing and other customer service issues.

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 judgment on the reporting date of the performance scorecard, and could be markedly different in the future.